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AGRICULTURAL COOPERATION IN WESTERN CANADA

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QUEEN'S UNIVERSITY STUDIES

PREFACE

The scope of this study is less extended than its title would indicate. It is confined to the investigation of cooperative marketing and purchasing in the three provinces of Manitoba, Saskatchewan and Alberta. That area is "the West" which expanded so rapidly from 1900 to 1913. Moreover, it is an agricultural region distinct from British Columbia on the West or Ontario on the East, and its agricultural problems can therefore be conveniently separated. To include, for example, the marketing problems of the British Columbia fruit grower would be to introduce a wholly different set of facts which would have little relation to those more directly under review. Again, marketing and purchasing problems are intimately related to the type of agriculture concerned and therefore constitute a unit. On the other hand, questions of cooperative credit, mutual insurance, cooperative telephone associations, while of importance, are less closely attached to any particular agricultural economy. For this reason, as well as because of the necessity of some arbitrary limitation, these have been excluded. As far as possible, cooperative developments have been traced up to the present, but consideration has been given to the current problem of Wheat Pools only in an appendix. The Alberta Wheat Producers, Limited, is a frank experiment of which the results are not yet available and its ultimate relation to existing institutions is not clear. That cooperation will assume new forms and new functions in the grain trade is almost certain but the direction of that development has not yet become discernible.

The most significant phase of the economic history of America seems to the writer to have been the endeavour of agricultural regions to obtain access to large and expanding markets. The great expansions and migratory movements of

the nineteenth century were based on the market for cotton, the market for wheat, the market for livestock and for dairy products. Cotton raised up the Southern States and wheat redressed the balance by producing the Western States. Wheat brought the expansion of Ontario (Canada West) in the fifties and sixties out of which came the necessity of Confederation, and wheat and the market for wheat produced the Canadian West and gave to it its economic and political importance. In rendering that market available and in gaining access to new markets for livestock, wool and dairy products, cooperative organization has been of the first importance.

The investigations on which this slender monograph is based were begun in 1918. In somewhat different form, the results were presented in a dissertation in the Graduate School of Arts and Sciences of Harvard University in 1921. To the Board of Trustees of Queen's University the writer is indebted for funds which enabled him to carry on his investigation. Dean Skelton originally suggested the subject and without his aid and advice the work would scarcely have been completed. Professor W. C. Clark, now of S. W. Straus Company, generously shared the results of his own researches in the grain trade. Numerous suggestions as to the form of presentation have been offered by Principal R. Bruce Taylor, who undertook the dull task of reading the manuscript. The writer's indebtedness to Professor F. W. Taussig of Harvard University for his advice and encouragement in regard to this particular work is but a small part of the debt of a student to a great teacher. Space does not permit the recording of gratitude to the many officers, past and present, of cooperative enterprises who, though much exposed to investigators, gave generously of their time and knowledge. Exceptions must be made, however, in the cases of Hon. W. R. Motherwell, Federal Minister of Agriculture, and first president of the Territorial Grain Growers' Association; Hon. T. A. Crerar, President and General Manager of the United Grain Growers,

Limited; Hon. C. A. Dunning, Premier of Saskatchewan, and the first Manager of the Saskatchewan Cooperative Elevators Company; F. W. Riddell, the present Manager, and E. A. Partridge of Sintaluta, the first President of the Grain Growers' Grain Company. Much more perhaps is owed to friends in certain sections of Saskatchewan where as a rural teacher the writer had opportunity to observe the conditions which gave rise to the movements described in this essay.

Kingston, Canada,
March, 1924.

W. A. M.

AGRICULTURAL COOPERATION IN WESTERN CANADA

CHAPTER I

Introduction

In the settlement of new countries one problem takes precedence over all others—the problem of discovering a staple product with a ready market.[1] The world makes a path to the doors of those regions fortunate enough to possess such a product, and all commodities of other countries are obtainable in exchange. Tobacco and cotton, with their open and expanding markets in Europe, brought commerce, prosperity and culture to the Southern States before New York and Pennsylvania, producing their heavy, undesirable products of lumber and grain, were able to emerge from the "pioneer" stage—marketless and primitive. So well do young communities understand this fact, that it is almost possible to write the history of the settlement of North America in terms of the search for new vendible products such as hemp, in Lower Canada, or the attempts to concentrate bulky products, chiefly grains, into forms that could be transported to far-distant markets. The pork industry and the distilleries of the Mississippi Valley are examples of this latter tendency.

In the latter part of the nineteenth century great improvement in rail and water transport made wheat a possible staple for new countries. As a result the world became a single market for wheat and wheat-growing moved further and further toward the frontier of settlement. With falling rates

[1]Callender, *Readings in the Economic History of the United States,* Chap. II.

of transportation and the increasing comparative advantages of dairying, fruit-growing and mixed farming in Eastern Canada, and of corn in the more moist and hotter regions of Iowa, Illinois, Indiana and the surrounding States, the wheat belt of North America has moved steadily West with the frontier settlements until the dominant wheat areas of the United States are now to be found in Kansas for winter wheat and in Dakota for spring wheat. The latter region, however, from a continental point of view, lies rather on the outskirts of the larger wheat area to the North and West in Manitoba, Saskatchewan and Alberta.

The Prairie Provinces of Western Canada (to which we confine our study) form, with the adjoining portions of Dakota and Minnesota, one agricultural region, though with considerable variation. It is a region for the most part of prairie land lying in the valleys of the Red, Assiniboine, Saskatchewan and Peace Rivers. Freedom from heavy timber and broken lands makes cultivation relatively easy, and settlement rapid. A large amount of sunshine, precipitation somewhat scanty, varying from 20.81 inches at Winnipeg in the Red River valley to 16.30 at Calgary and even less along the Montana border, and a mean summer temperature of from 60 to 65 degrees,[2] are the distinguishing characteristics of the region. Only the facts that a large percentage of the annual precipitation falls in the months of April, May and June, and that the number of hours of sunshine in the summer months is large, render the region suitable for cereal production.

Not only is the Canadian prairie region suitable for cereal production (notably wheat), but it has actually become one of the most important export regions of the world. Until recently there has been little competition of other products with wheat. The latter has had the all-essential quality of a pioneer staple. It was an easily grown "money crop", for which there

[2]*Canada Year Book*, 1919.

was ready sale in a world market. In addition, the favourable climate, the comparative cleanness of the virgin soil, the freedom from parasitic plant and animal life—those favourable conditions found on the northern limits of an agricultural zone—combined to give to wheat distinct advantages over other products. Under these conditions, the "one crop" system continued to dominate Western agriculture and drew upon the Westerner the moralizing dissertations and gloomy prophecies of politicians, bankers, European tourists and others as to "wheat-mining", "unscientific farming", "mixed farming" and the like. They availed nothing, for the homesteader had fact on his side. No large distinctively agricultural community has ever passed from primitive poverty to great prosperity except through the gateway of the "one crop" system and the export staple. The peculiar problem of Western Canada arose from the stage of agricultural development it had reached.

By the time the period of settlement of Western Canada was reached, the world market in wheat had been fully established, though later years were to see more complete articulation of the marketing process. The economic history of the West for the two or three decades preceding the late war centred in the endeavours to bridge the gap between an outlying pioneer district whose climate and soil were specially adapted to the growing of hard spring wheat, and one of the most highly complicated of all world markets. It is true that exceptional ability produced Red Fife, Marquis and other wheats and permitted the extension of the wheat belt far north, but the controlling factor was the relation to the world market.

There have been roughly three steps in the linking of the prairie and Europe—each of a different type and each notable. The first was the construction of the Canadian Pacific Railway, built across the prairie when there was scarcely a settler between the Red River valley and the Mountains. With the construction of that railway in the '80's, the entry of Manitoba

wheat into the Liverpool market was possible, if not always profitable. The second step consisted in legislative and administrative reforms in the regulation of the Grain Trade by a long series of Grain and Inspection Acts. The third step was taken when attention was turned to cooperative agencies in the marketing of grain.

The first of these steps we merely note in passing as significant in its effects on later stages. The second will receive a brief historical treatment. The third forms the subject of the core of the present monograph.

Grain growing in Western Canada began with the early settlers in the first quarter of the nineteenth century. It did not, however, extend beyond the Red River Valley and none of the product was exported. Not indeed until the seventies was it widely believed that the Western prairies outside of the Red River Valley were suitable for cereal production.[3] The publication of the Macoun report on the North West Territories in 1879 removed many of the illusions in the minds of Canadians as to the aridity of the prairies west of Manitoba. The award of the first prize at the Centennial Exposition in 1876 to wheat grown at Fort Chipewyan, and in 1893 at Chicago to wheat from Peace River Crossing, proved the excellence of the product though not the profitableness of production.[4]

The prairie region is of necessity a spring wheat area and the hardness of the grain and the "strength" of its flour are only equalled by the Hungarian wheats. The introduction of the roller or Hungarian process of milling, making possible for the first time the economical reduction of hard wheats, gave to them a dominant position in the market, because of

[3]There had of course been instances of successful grain growing such as Daniel Harmon's record of crops at Ft. Dunvegan, on the Peace River, in 1809-10. See G. Harcourt, *Economic Resources of Alberta. Canada and its Provinces*, vol. 20, 581-602.

[4]Ibid.

their value for blending with the softer wheats. This technical improvement in the flour industry and the construction of the Canadian Pacific Railway were basic factors in the rapid settlement of the Canadian prairies. The first consignment of wheat to Eastern Canada was made in 1876. In 1884 wheat was transported by the C.P.R. and the Great Lakes to Winnipeg.[5] As early as 1881 a Grain Exchange was established by a few commission merchants,[6] but it did not survive the bad crops of the middle of the decade, which, however, had the good result of improving methods of cultivation.[7] With the re-establishment of the Grain Exchange in 1887 and its incorporation in 1891[8] it may be said that the Canadian West began to assume importance as a wheat producing area even though the total production given in the census of 1890 did not quite reach 17 million bushels.

With the settlement of the West from 1890 on, many problems of agricultural technique presented themselves to the individual settlers. One general problem, however, that of improving and controlling the marketing process, thrust itself upon the attention of all and called forth organized effort. It is in this general problem that we find the most important field of cooperation. There has been a great variation in the forms of cooperation and in the tasks undertaken, but the most

[5]Begg, *Ten Years in Winnipeg*, p. 170. Cited E. Cora Hind, *The Grain Trade: The Prairie Provinces of Canada*. London, 1914.

[6]Ibid.

[7]More or less accidentally the practice of "summer fallowing" was started. Some farmers of the Indian Head and Qu'Appelle districts were assigned transport duty with the force sent out to suppress the Rebellion of 1885 and returned too late to put in the crops. During the remaining summer they tilled their land for next year's harvest and found the advantage of "summer fallowing" in a return of 23 bushels to the acre when the crop generally was a failure. W. J. Rutherford, *Economic Resources of Saskatchewan. Canada and its Provinces*, vol. 20, p. 560.

[8]*Statutes of Manitoba*, 54 Vic., c. 31, 1891.

A Futures Market was opened in 1903 (previously "hedging" had been carried on through Minneapolis and Chicago), and a Clearing House was opened the same year. *Statutes of Manitoba*, 3 Ed. vii, c. 70, 1903.

signal success has been achieved in the marketing of grain. Other cooperative enterprises have been modelled after the earlier grain companies, and it is this which distinguishes agricultural cooperation in Western Canada from that of Ireland or Denmark. In European countries, cooperation has been a complement to small scale farming. The size of the business unit has been increased, by including in it certain selling and manufacturing enterprises in addition to production. It is a case of vertical combination plus cooperation. In Western Canada, on the other hand, the business unit was already large. Land was plentiful. Wheat was adapted to extensive cultivation. Cooperation was effected not to enlarge the scale of operations but to control and regulate a highly complicated and sensitive marketing process. Only by full recognition of this fact can a clear view of cooperative achievements and failures be obtained. It will be later considered whether something approaching the Danish situation may be ultimately reached, but at present we point out in advance that cooperation in Western Canada was not of this character at its inception.

CHAPTER II

Legislation and Organization

The beginnings of the Western Canadian Grain Trade reach back to the decade of the eighties. Only at the beginning of the century, however, did the period of rapid expansion set in. Exports of wheat increased very little from 1890 to 1900. From about 9 million bushels in 1901, they rose rapidly to the high figure of 100 millions in 1916.[1] In the fiscal year 1900-1 there were inspected in the Western Inspection Division 10,-178,000 bushels of grain of all kinds; in the fiscal year 1915-16 the corresponding figure was 333,000,000.[2] Similarly the total storage capacity of Canadian grain elevators increased from 18,000,000 bushels in 1901 to 221,000,000 bushels in 1919.[3] In the face of this extraordinary growth of the industry, caused not by the withdrawal of agricultural endeavour from the production of other commodities, but by the settlement of large areas of new land, it was inevitable that fundamental changes should be made in the marketing process. As increasing demands are made upon machinery devised for the performance of any industrial function, the problem of control becomes more and more difficult to solve. This has been notably the case with the grain trade.

Two factors or groups of factors underlie the history of the regulation of the grain trade. The first is the factor of transportation. The transportation systems of North America

[1]The figures for the crop year 1915-16 mark the highest point of wheat production up to 1923. *Grain Statistics, Sessional Papers,* 10d, 1909, 1917.

[2]*Canada Year Book,* 1919, p. 412.

[3]Ibid, p. 408.

have at all times been closely linked to the three great waterways of Hudson's Bay, the St. Lawrence system and the Gulf of Mexico. Up to the present the Hudson's Bay route has not been possible for the wheat trade and thus the linking of the prairie to the "head of the Lakes" was the first requisite of a developing grain industry. When once that link was established by the construction of the Canadian Pacific Railway, the most important transport problem was the annual car shortage caused by the heavy seasonal demands of the grain trade, necessitating an amount of rolling stock far in excess of the needs of other seasons.

Further, as has been mentioned before, the construction of the Canadian Pacific Railway was an audacious if not foolhardy attempt to bridge the vacant and trafficless area between British Columbia in the West and "Canada" in the East. Following the difficult policy of financing the enterprise almost entirely through repeated issues of stock,[4] the company completed construction with but little working capital left, and no prospect of raising more since traffic had to be created. It was not therefore in a position to undertake the construction of grain elevators when that traffic arose. In addition, the precedents of the United States, always of great influence in Canadian industry, were not in favour of the furnishing of warehousing facilities for grain at initial points.[5] In order that other interests might be tempted into the field, the railway offered free leases of sites for standard grain elevators, with the provision that where such a standard elevator was operated, farmers would not be allowed to load grain directly into cars, nor make use of "flat warehouses"[6] for temporary storage. In later years this arrangement formed the basis for a very serious

[4]Skelton, *The Railway Builders*, Toronto, 1916, p. 155.

[5]The C.P.R. erected a terminal elevator at Fort William in 1884.

[6]A "flat warehouse" is one of small size without elevating machinery. The use of the term in the various grain acts has given it a precise connotation.

limitation of competition[7] and was the stimulus which brought about widespread reform.

The second basic factor in the grain trade is found in the characteristic of wheat as a commodity in production and commerce. Wheat may be properly termed a frontier crop; at least the great wheat export regions of the world lie on the agricultural frontiers. Because as a commodity it is compact, relatively valuable, capable of being transported long distances in bulk and reducible to standard grades, wheat is bought and sold in what, in normal times, is a world market. Not only is the market area extended, but the organization is highly developed and intricate. In other words, a commodity which is produced on the agricultural frontier, under extensive cultivation and with the resulting wide scattering of population and rural isolation, enters into one of the most intricate of the world's marketing organizations.[8] Obviously here is a condition which gives rise to large "middleman" functions, a wide gap between producer and consumer, and at the same time makes intelligent selling on the part of the producer, and control and supervision of the marketing process, extremely difficult.

These then are the two groups of factors which have given such importance to regulation and organization in the Western Canada grain trade, and which lie at the basis of the most significant experiments in agricultural cooperation.

[7]*Report of Royal Commission of* 1899. *Dominion Sess. Papers,* 81-81b, 1900, p. 7. Cf. statement of Hon. Walter Scott that there would probably be no elevator question if the C.P.R. had considered grain as other commodities of transportation and provided storage. *Regina Leader,* Feb. 7, 1911.

[8]The "grain grower produces in immense quantities a perishable commodity, peculiarly dependent on climatic conditions, that after garnering must be hauled by rail a thousand miles and shipped and reshipped before it reaches the market of the world to suffer there the price variations due to supply and demand." D. A. McGibbon, *Grain Legislation in Western Canada. Journal of Political Economy,* 1912, p. 229.

The selling of grain came under regulation in Canada in 1853[9] and grading was introduced in 1863.[10] The General Inspection Act of 1874 revised the system and extended it to the newly acquired territories of Manitoba and the West.[11] Amendments were added in 1889 and 1891, providing a Standards Board to establish grades for Western grain, and also making provision for the setting up of "commercial grades" when crop conditions were peculiar and grain could not be justly graded by the ordinary standards.[12] Though the increase in the production of grain in Western Canada in the decade 1890-1900 was small, great complaint arose in regard to the regulation of the trade. On the one hand the Winnipeg Grain and Produce Exchange demanded that a separate inspection district be created for the West with suitable grades. On the other hand, farmers had innumerable complaints which chiefly centred in the relation between the railways and the "line elevator" companies. The General Inspection Act of 1899,[13] creating the Western Inspection Division with grading at Winnipeg, and making provision for appeal to a Survey Board, met the demands of the Exchange and still remains the basis of the present Inspection System, though modified later by the opening of sample markets.

To meet the complaints of the producers the Federal Government appointed in 1899 a Royal Commission to investigate conditions prevailing in the grain trade. That commission found two main obstacles to the efficient organization of the trade. In the first place no regulation of grain dealers ex-

[9]See Clark, *The Country Elevator in the Canadian West, Queen's Quarterly*, 1916. *Statutes of Canada*, 16 Vic., c. cxviii, 1853.

[10]*Statutes of Canada*, 26 Vic., c. iii, 1863.

[11]*Statutes of Canada*, 37 Vic., c. 45, 1874.
Revised Statutes of Canada, c. 99, 1886.

[12]*Statutes of Canada*, 52 Vic., c. 16, 1889, also 54-5 Vic., c. 48, 1891. See also McGibbon, loc. cit.

[13]*Statutes of Canada*, 62-3 Vic., c. 25. 1899.

isted.[14] Secondly and still more important, the refusal of the railways to allow farmers to load their grain directly over the platform, at any point where there was a standard elevator,[15] left no alternative to accepting the terms of the "line companies" as to prices, grades and dockage.[16] Local farmers' elevators were tried, but it was found difficult to compete on a storage basis with companies which made their profits from trading in grain rather than from storage charges, and which could cut prices at competitive points.[17] There was a possible alternative for the producer in selling to commission merchants, but, as mentioned above, there was no guarantee of the good faith of firms, and farmers knew little or nothing about the technicalities of grain marketing.[18] In such a situation, it was inevitable that many abuses such as low grading, high dockage, mixing and even actual stealing of wheat should exist, and that farmers should greatly exaggerate the frequency of their occurrence.

Through the insistent agitation of Agricultural Societies and the Territorial members in the Federal House, the recommendations of the Commission were embodied in the Manitoba Grain Act of 1900.[19] Administration of the Act was entrusted to a Warehouse Commissioner. All dealers in grain were required to obtain licenses and give bonds, thus making possible better regulation and control.[20] Further, on petition of a

[14]*Report of the Royal Commission on the Grain Trade*, Sess. Papers, 81-81b, 1900, p. 8.

[15]See above, p. 8.

[16]"A hard and fast elevator monopoly existed and the grievance existed that every producer of grain was compelled, not by law, but in practice, to deal with that hard and fast elevator monopoly." Hon. Walter Scott, *Regina Leader*, Feb. 7, 1911.

[17]See below, p. 17. Twenty-six farmers' elevators were in operation. At the worst they were failures; at the best ineffective. *Report of Royal Commission*, 1899, pp. 7-9.

[18]The importance of this fact has been repeatedly impressed on the writer by those who were active in the early agitation for reform.

[19]*Statutes of Canada*, 63-4 Vic., c. 39, 1900.

[20]Ibid., secs. 29-33, 43.

specified number of farmers in a district, the railway was required to permit the building of flat warehouses and to provide a loading platform.[21] Cars were to be distributed without partiality to all applicants.[22]

The object and effect of this legislation was to provide farmers with the alternative of selling grain "on track", or of consigning it to commission men, thus enlarging the very restricted field of competition previously occupied by the "line" elevator companies. The restriction which existed as long as the "line" companies alone had access to transportation facilities, was broken, and through the licensing system selling of grain on commission was facilitated by being made secure.[23]

Not the least of the effects of the passage of the Manitoba Grain Act was the fundamental, though inflammatory, education of the farmer in the rudiments of grain marketing, which was an accompaniment of the whole agitation.[24] It marks the first tangible result of the efforts of farmers to secure efficient regulation of the grain trade, and was the starting point of a long series of reforms which brought that regulation to its present satisfactory position. Years elapsed before the changes desired were all secured, but from 1900 on there was a steady pressure toward reform. There were indeed many mistakes made, the result of ignorance and ill-founded suspicion, but progress toward an intelligent understanding of the trade was, on the whole, rapid and continuous.

The problem of legislation was one thing; the problem of enforcement was quite another. At least in popular imagina-

[21]Ibid., secs. 41-2.

[22]Ibid., sec. 44.

[23]The railways had allowed direct loading during 1898-9 and commission merchants had operated since 1881, but they had been on the whole ineffective. The Grain Act did not establish this alternative marketing route, but made it easily and regularly accessible.

[24]Subsequent facts as well as the statements, in interview, of the leaders of the agitation support this opinion.

tion the Canadian Pacific Railway was all powerful and above the law. While warehouses were permitted and loading platforms provided as required by law, these gave no redress unless cars were allotted to farmers on equal terms with the elevators. The violations of this provision of the Act were flagrant and admitted.[25] The Western farmer found that the legal privilege of loading his own car was no privilege if no car could be secured. One of the most important results attained in the Grain Act was in danger of being rendered useless. Farming in Western Canada was attended by many hardships and disappointments. Hail, frost, drought and wind were heavy hazards. It was difficult to produce a crop, but to be restricted in the selling of it was exasperating. There was sufficient incentive in the acts of the railways and the elevators to give rise to widespread agitation and all the blame for difficult conditions in the grain trade was heaped upon these agencies.

Characteristically, this sense of injustice and animosity toward the railway found outlet in positive action and fortunately prudent leaders were not wanting. A small group of farmers of the Indian Head, Qu'Appelle and adjoining districts, met under the leadership of W. R. Motherwell, John Millar, Peter Dayman and others, and formed the Territorial Grain Growers' Association in December, 1901.[26] It was by no means the first farmers' organization. Farmers' Unions in the eighties and Patrons of Industry in the nineties had had brief existences. Vagueness of purpose, political entanglements and disastrous cooperative ventures, were the rocks which wrecked them. As the name suggests, the new association was not a mere gesture in the general direction of agricultural "uplift", it was an organization formed to meet a definite situation in

[25] *Manitoba Grain Act, Statutes of Canada,* 63-4 Vic., cap. 39, sec. 58, sub-sec. 2.

[26] See President's address, *T. G. G. A.*, 1902.

A spirited account of the Grain Growers' movement is to be found in Hopkins Moorhouse: *Deep Furrows*, Toroto, 1917.

the marketing of grain. Its members and officers were grain growers whose livelihood depended upon the grain market, and who sedulously avoided the dangers of political affiliations. The object of the organization was to ensure that the protection provided grain growers in the Manitoba Grain Act was secured to them. Organizations such as the railway and the North West Elevator Association could only be met with counter organization.

From settlement to settlement the new association spread. Manitoba soon followed the example of the farmers of the territories. In 1903 a meeting at Virden, which was addressed by W. R. Motherwell, President of the Territorial Association, resulted in the organization of the Manitoba Grain Growers' Association.[27] In 1906, with the creation of the new provinces of Saskatchewan and Alberta, in place of the former North West Territories, the oldest of the Associations changed its name to the Saskatchewan Grain Growers' Association.

Wherever grain was the staple crop, the organization spread. Local units of the Saskatchewan Association sprang up in several districts of Alberta and united as the Alberta Farmers' Association. Immigrants from the United States, settling largely in Western Saskatchewan and Alberta, brought with them affiliations with American organizations, and the Canadian Society of Equity, an offshoot of the American Society, grew to some prominence. The obvious folly of competition between such bodies led to the amalgamation of the Canadian Society of Equity and the Alberta Farmers' Association under the name of the United Farmers of Alberta.[28]

The story of the work done by these associations is only indirectly connected with the subject of the present study and much of the record of the careful watch kept upon legislation, the important investigations instigated, or carried out, and the

[27]*M. G. G. A.*, 1903, President's address.

[28]See E. J. Fream: *The Army of Reform*, *G. G. G.*, Dec. 6, 1911.

widespread educational work done, must be omitted. The fact must never be forgotten, however, that the history of cooperation in Western Canada would have been very different had there not been powerful organizations, which had already proved their strength and moderation, doing educational work and supporting cooperation.

To return to the newly formed Territorial Grain Growers' Association and its work—the first and most obvious evil to be attacked was the non-enforcement of the car-distribution clause.[29] Disregard for the clause was open and flagrant. "The plain provisions (of the clause) are disregarded at every shipping point, I believe, in the West," said the President of the new organization.[30] Loading platforms offered no redress to the farmer if all available cars were "spotted" at the elevators.[31] After a fruitless appeal to railway officials, a case against the agent of the Canadian Pacific Railway at Sintaluta was taken to court. The counsel for the railway, Mr. J. A. M. Aikins, later Lieutenant-Governor of Manitoba, admitted the facts and confined attention to legal argument. The provisions of the Act were upheld, and, on subsequent appeal, the Supreme Court sustained the decision.[32]. In consequence an amendment to the Grain Act in 1903[33] set out in more specific fashion the provisions in regard to the allotment of cars. This amendment, which required that cars be allotted in strict rotation according to the order in which names appeared on the car order book of the agent, practically completed the legislation necessary to compel equitable treatment of the producer by the railway. Difficulties, it is true, remained, but they were due to shortage of rolling stock during

[29]See above. *Manitoba Grain Act,* sec. 58, sub-sec. 2.

[30]*T. G. G. A.,* 1902.

[31]Mr. Motherwell stated that of 67 cars "spotted" at Sintaluta, only 7 had been assigned to farmers. Ibid.

[32]*M. G. G. A.,* 1903.

[33]*Statutes of Canada,* 3 Edw. vii, cap. 33, 1903.

the crop moving period and were not directly remediable by legislation. The new Association had proved its worth, and the prestige gained by its successful checking of the (in popular conception) all-powerful railway was substantial.

CHAPTER III

The Beginnings of Cooperative Marketing

The railway problem, if not settled, was at least under control. There remained the elevators and the Grain Exchange, as agencies which the Grain Growers rightly or wrongly believed were obstructing the access of the farmer to the market. There were two ways of getting rid of the obstructions; first, by legislative enactment, second, by providing other agencies to perform their functions. From the Grain Act of 1900 on, legislation was periodically revised and improved. For the most part, however, changes made were not fundamental, with the exception of the establishment of a permanent commission and provision for sample markets in 1912.

Already by 1901 there had been much discussion of local farmers' elevators. In a country where a "hired man" was a luxury, direct loading was uneconomical, and only the operator of a large farm could fill a car. At the Annual Meeting of the Grain Growers in 1902, a committee reported favourably on the project of local farmers' elevators. Two things were essential: the getting of enough farmers to patronize the elevator, and offering of special facilities to operators of small farms in the way of small bins.[1] Such local elevators had been found successful and there is evidence that they were capable of being run at a profit.[2] Many, however, were failures. With the advantages of local management went many difficulties—too great dependence on borrowed capital, an unprofitable penuriousness in the payment of managers, too liberal a policy in regard to dockage, undue interference by

[1]*T. G. G. A.*, 1902. Speech of M. Snow.
[2]*Report of Royal Commission*, 1899, pp. 7-9.
Report of Elevator Commission of Sask., 1910, p. 87.

shareholders or directors—these have been enumerated as defects of management which were the causes of many failures among farmers' elevators.[3] Keen competition, too, caused a high rate of mortality. It was alleged "that the companies direct their competition especially against farmers' elevators, recouping themselves at other points. And in this there may be some truth."[4] Certainly the margins on the storage of grain were pared down because line elevator companies had profits on the purchase and sale of grain to fall back on, while the farmers' elevators were run on a purely storage basis. Farmers' elevators could compete but capital was required and considerable risk run. Rightly or not farmers were convinced that such elevators would be at the mercy of a "combine."[5]

It was in 1904 that Mr. E. A. Partridge of Sintaluta proposed at the meeting of the Grain Growers' Association a scheme for the cooperative selling of grain.[6] He pointed to the Minnesota Farmers' Exchange as a successful example, and held out the prospect of accumulating a surplus to establish a journal or newspaper to carry on propaganda for further improvement of conditions.[7] With singular clearness he saw that the commission market in Winnipeg, with its conditions of rapid expansion, rising prices, small requirement of capital and comparatively simple problems of management, was the strategic point at which a farmers' company might enter and achieve financial success. This proposition, however, met with little response from either of the Associations, though the Manitoba organization did appoint a committee to consider it.[8]

[3]Ibid., p. 85-6.
[4]Ibid., p. 86.
[5]Cf. E. A. Partridge, *T. G. G. A.*, 1906.
[6]*T. G. G. A.*, 1904, address of E. A. Partridge.
[7]Ibid.
[8]Ibid.; *M. G. G. A.*, 1905.
"Farmers in Business", pamphlet of United Grain Growers, Ltd.

If, however, cooperative marketing was not immediately adopted as a solution, at least the centre of interest moved from the railways to Winnipeg and the Grain Exchange. Mr. Partridge was sent as a special agent to visit the Grain Exchange and study its methods.[9] After a month's experience[10] his previous opinions were confirmed, and he denounced in unqualified terms the Exchange and all its works.[11] He pointed out the existence of the North West Grain Dealers' Association[12] which "sets 'street prices'," reducing charges wherever a farmers' elevator or an independent dealer operates. The object of the elevator companies was to give the farmer the lowest price possible and get the largest amount of wheat through the elevators. More powerful than the line elevators, however, were the exporters and millers. The large amount of capital and credit required, the difficulties of establishing trade connections, and, in the case of the export firms, connection with shipping interests, put limitations upon competition and the "wheat business is thus practically in the hands of three milling companies and five exporting firms."[13] The Grain Exchange itself, he characterized as "a combine" with "a gambling hell thrown in."[14]

Denunciation, however, did not end the matter. When the Manitoba and Saskatchewan Associations met in February, 1906, they were confronted with a "fait accompli" in the form of a farmers' company launched by Mr. Partridge and his neighbors at Sintaluta. This the Associations were asked to

[9]For a month previous, Mr. W. H. Gaddes had been acting as a farmers' agent under the appointment of the Territorial Department of Agriculture. Still later Mr. D. W. Campbell became Shippers' Agent, rendering valuable service in adjusting claims and providing information. *T. G. G. A.*, 1906.

[10]Somewhat imaginatively described in Hopkins Moorhouse, loc. cit., chap. v.

[11]*S. G. G. A.; M. G. G. A.*, 1906.

[12]Formed in 1903. See below, p. 27.

[13]*S. G. G. A.; M. G. G .A.*, 1906.

[14]*Nor' West Farmer*, Mar. 5, 1906. Quoted in letter of W. R. Motherwell and J. Millar, *Free Press*, Jan. 28, 1907.

endorse. With a curious combination of fervid eloquence, Ruskinian ethics,[15] and keen economic insight, Mr. Partridge pleaded his cause. The solution of the difficulties of grain marketing he found in cooperation. "Combination is only to be met by combination. . . It is a cloud no bigger than a man's hand that will shortly overshadow the whole West. . . . It is part of that temple of Equity which society is slowly rearing as civilization's crowning monument—cooperation—the cope-stone of which is practical brotherhood."[16] Only by cooperative methods could the farmer hope to function intelligently in a world market. "We are no longer denizens of a hamlet, but citizens of the world."[17]

In contrast, the resolution emanating from Partridge which the Sintaluta Association presented to the Provincial Association had less of rhetoric than of clear-headed analysis of a complicated situation. After pointing out the widespread discontent among grain growers, it continued, "Whereas their ignorance of the details of the grain business, their isolation from each other and their distance from secondary and ultimate markets render them individually liable to suffer grave injustices even without their knowledge, and certainly without hope of remedy by their individual efforts,"[18] . . . the enquiries of the committee of the Manitoba Association[19] had shown that interest in a cooperative company for selling grain on commission was "widespread", and (the resolution continues), "Whereas such an enterprise would be immediately profitable without financial risk, would afford protection from crooked practices, and at the same time would enable the shareholders to gain an insight into, and a valuable knowledge of the whole

[15]It is a far cry from "The Political Economy of Art" to the Canadian Grain Trade, yet the initiator of successful cooperative selling of grain in Western Canada drew from Ruskin much of his inspiration and not a few of his ideas.

[16]*S. G. G. A.*, 1906.

[17]*M. G. G. A.*, 1906.

[18]*S. G. G. A.*, 1906.

[19]See above, p. 18.

grain business, equipping the farmers for greater enterprises, and enable them to intelligently deal with such problems as a sample market, grades, inspection, hospital, sorting and mixing, and terminal elevators and legislation pertaining thereto, and whereas such a company loyally supported would, in addition to paying a dividend, provide a surplus to be used in investigating conditions. . . ."[20] (The resolution to form a company follows.)

On the basis of this preamble the Sintaluta Grain Growers had done organization work preliminary to the incorporation of the Grain Growers' Grain Co., Ltd.[21] The prospectus outlined the proposed charter. Shares were of $25 par value, no one was allowed to own more than four shares, or was entitled to more than one vote; only farmers or owners or lessees of farm lands could become shareholders.[22] A circular to the subscribers indicated that a form of patronage dividend would ultimately be adopted.[23] An attempt to incorporate under a Dominion Charter failed because the Companies Act of that day made no provision for the issue of stock of less than $100 par value.[24] A charter was obtained from the Provincial Government, however; a provisional directorate was elected;[25] and on September 5, 1906, the Grain Growers' Grain Company, with a subscribed capital of $25,000 of which $5,000 was paid up and with a seat on the Winnipeg Grain Exchange,[26] started business.

Though the new Company was launched it was not under the protection or control of either of the Grain Growers' As-

[20]*S. G. G. A.*, 1906.
[21]Ibid. Also Moorhouse, loc. cit., pp. 86-92.
[22]*Prospectus of Grain Growers' Grain Co.*
[23]"*Farmers in Business*", pp. 5-6. *Prospectus of Grain Growers' Grain Co.*
[24]Ibid., p. 4.
[25]Ibid., p. 4. Also Moorhouse, loc. cit., p. 300.
[26]The seat on the Exchange had cost $2,500, and a large part of the paid up capital had been used in organization; the Company was financed by funds raised on the personal notes of several of the Sintaluta group. Ibid., p. 4.

sociations.[27] Thus far the movement had succeeded because it had clung close to immediate problems upon which from the farmers' point of view there could be little divergence of opinion. Many, including those who had been most prominent in inaugurating the movement, viewed with dismay the somewhat grandiose plans of Mr. Partridge and his followers. They saw the substantial gains in organization and influence about to be imperilled by this commercial venture. "Many farmers recalled the failure of similar business ventures in the middle eighties and the early nineties in connection with 'Farmers' Unions', 'Patrons of Husbandry' and 'Patrons of Industry' . . . So jealous were they of their new found defence, therefore, that at every turn the promoters of the proposed grain commission company faced timid looks and spoken doubts, even some scoffing and laughing."[28] There were, however, some who were at least ready to try cooperation, at a risk of the two dollars and a half required to be paid on a share subscription, and the new company, though entirely separate from the two Associations, was nevertheless supported by some of the members of both who constituted for the time being the "left wing" of the movement.

In September, 1906, the company began operations on a commission basis, doing no independent buying. Operating in the regular way, all grain was sold through the Exchange at the standard commission of a cent a bushel. Grain was consigned to the company in encouraging quantities, amounting at the end of the first month to one hundred cars a week.[29] After making satisfactory progress for a period of six weeks, the Grain Growers' Grain Company was suspended from the

[27] Ibid., p. 3.

[28] Ibid., pp. 3-4.

Mr. Motherwell, President of the Territorial Association from its inception till he joined the Saskatchewan Government as Minister of Agriculture in 1906, bluntly set forth his view some years later that the Association was "getting out of its province in some of its activities." *S. G. G. A.*, 1910.

[29] "*Farmers in Business*", p. 4.

Grain Exchange on the grounds, first, that certain pamphlets had been issued "offending against the honour and dignity of the Exchange" and "reflecting on the methods adopted by certain members of the trade"; second, that by-law 19 of the Grain Exchange had been violated.[30] In essence the difficulties were these. The organizers of the new company had been able to launch their company only by showing the need for some method of eliminating certain abuses in the trade. A good deal of strong language had been expended upon the description of those abuses. Many charges had been made which exaggerated certain real evils. In some cases ignorance of the market conditions gave rise to charges of manipulation.[31] All this had not been done without arousing the animosity of the members of the Grain Exchange, many of whom undoubtedly were willing to expel the new company on the slightest provocation. In addition to the propagandist literature referred to above, provocation was found in the proposal of the Grain Growers' Grain Company to pay dividends to patrons according to the amount of their consignments. This proposal was not made in the original prospectus, but it was mentioned in the discussions on organization at the Grain Growers' conventions[32] and was set forth in a circular to prospective shareholders. The project had, however, never been endorsed by the shareholders of the company, nor as yet even laid before them.[33] By-law 19 of the Grain Exchange set a commission of a cent a bushel on all grain sold on the Exchange. This commission could not be varied in any way. The object of the rule was to prevent grain firms from offer-

[30]Letter of G. G. G. Co. to R. P. Roblin, Dec. 20, 1906. *Free Press*, Jan. 9, 1907. See also Evidence of Partridge, Robinson and Bell, Royal Commission, *Free Press*, Nov. 22, 1906.

[31]Cf. Partridge's allegation of a "combine", his characterization of the options market as a "gambling hell". See above, p. 19. This aspect of the matter is pointed out in a public letter of W. R. Motherwell and J. Millar, *Free Press*, Jan. 28, 1907.

[32]See above, p. 17, *S. G .G. A.*, 1906; *M. G. G. A.*, 1906.

[33]G. G. G. Co. to R. P. Roblin, Dec. 20, 1906. *Free Press*, Jan. 9, 1907.

ing percentage payments to country agents, bank officials, railway employees, etc., in order to attract trade, and to concentrate competition upon service rather than upon the cutting of what was recognized as a fair rate for the service rendered.[34] It was now alleged that the Grain Growers' Grain Company, in proposing to distribute profits on a patronage basis, had violated this by-law of the Exchange, and that the company proposed to "split" the commission with its patrons. Upon this latter ground (the first charge being dropped) the representative of the Company was summoned before the Council of the Exchange. There Mr. Partridge refused to refer the dispute to the shareholders, or to recede from his position in regard to the patronage dividend.[35] Upon this refusal, the Grain Growers' Grain Co. was "posted" in the Exchange as deprived of its privileges, and all members of the Exchange were forbidden to deal with it.[36]

Subsequently, the officers of the Company discovered that their incorporation under the Manitoba Joint Stock Companies Act[37] prevented them from adopting the proposed distribution of profits.[38] There was also some difference of opinion among the officers of the company as to the tactical wisdom of their action in refusing to lay the matter before the shareholders. In consequence, on November 30th, application was made for reinstatement. The company officials conceded that the project might have violated the "commission rule" though they considered that rule "arbitrary". They were willing to lay the matter before the shareholders' meeting on January 31st, dis-

[34]Evidence of C. N. Bell, *Free Press*, Dec. 22, 1906.

The legality of the by-law was established in Metcalfe vs. Gibbins, 15 *Man. Law Reports*, 560.

[35]Grain Exchange to R. P. Roblin. Jan. 4, 1907, *Free Press*, Jan. 9, 1907. Evidence of Bell in Grain Case, *Free Press*, Dec. 22, 1906.

[36]G. G. G. Co. to Roblin—cited above.

[37]*Revised Statutes of Manitoba*, c. 30, 1902.

[38]G. G. G. Co. to Council of Grain Exchange, *Free Press*, Jan. 9, 1907.

continue the issuing of pamphlets promising patronage dividends, and advertise such a division of profits as doubtful.[39] This application was refused.[40]

At this juncture the Company turned for aid to the Provincial Administration. The Government was asked to insist on a revision of the rules of the Exchange or to proceed to amend its charter. Repeal of the one cent commission rule was not asked,[41] but the repeal of an additional rule which forbade the retaining of track buyers[42] at a salary of less than $50 a month was desired. Having set out these requests, the letter of the company frankly threatened that if they were not granted, trading operations would be dropped and attention turned to political agitation to force the hand of the government.[43]. The Exchange, to a letter from the Premier advising reconsideration of its action and suggesting doubts as to whether the legislature in granting the charter had "intended to give the charter and powers for the purposes alleged",[44] replied defending its position as strictly legal and impartial. Nothing further was done until March when Hon. Robert Rogers, the Acting Premier, reopened the matter upon the eve of a general election.[45]

[39]G. G. G. Co. to Council of Grain Exchange, Nov. 30, 1906; *Free Press*, Jan. 9, 1907.

[40]C. N. Bell to G. G. G. Co., Dec. 13, 1906. *Free Press*, Jan. 9, 1907.

Refusal was based on the grounds that the company was requesting permission to continue violation of the rule for two months. The Secretary admitted the harshness of the rule in the present application. *Free Press*, Jan. 8, 1907.

[41]Evidence of Dunlop before Royal Commission, *Free Press*. Dec. 29, 1906. This rule which virtually eliminated the buyer who only gave part of his time to the work bore heavily on the independent dealers who did not own elevators.

[42]A motion asking a commission of one-half cent on wheat had, however, passed the Manitoba Association. *M. G. G. A.*, 1907. *Free Press*, Feb. 7, 1907.

[43]G.G.G. Co. to Premier Roblin, Dec. 20, 1906. *Free Press*, Jan. 9, 1907. Considering the personnel of the company and the state of opinion among farmers at the time, this was no idle threat.

[44]Roblin to Grain Exchange, Dec. 26, 1906, enclosing letter of G. G. G. Co., Dec. 20, 1906. *Free Press*, Jan. 9, 1907.

[45]Rogers to Bettinger, Pres. of the Grain Exchange, Mar. 28, 1907. *Free Press*, April 17, 1907.

The government took the position that the action of the Exchange was an "arbitrary and unjustifiable exercise of powers conferred through your charter", and threatened legislative action if no remedy was forthcoming.[46] The Annual Meeting of the Grain Growers' Grain Co. annulled the provisions for cooperative distribution of profits and the Exchange was so notified in another application for readmission on April 13th. As a result of this compromise on the part of the company and the government's threat, the Exchange in a resolution setting forth the justice of their original action readmitted the company to membership. The membership was, however, transferred from Mr. Partridge to Mr. Spencer, the secretary of the company, and certain personal differences were thus settled.[47]

This encounter with the Grain Exchange bade fair to be a costly one for the new company. Suspension from trading privileges came at a time when hesitation in accepting consignments would have spelled disaster. Wheat continued to pour in, farmers drew upon the company for payment, the market was slowly falling and the company was prevented from selling in the Exchange. By February of 1907, the company, with but little more than $5,000 paid up capital, had an overdraft of $356,000 at the Bank of British North America. To support this pyramid of credit, the directors of the company pledged all their personal property as security.[48] The accumulating grain which could not be sold through the Exchange was sold partly to Eastern buyers and partly to the Scottish Cooperative Wholesale Society, whose Winnipeg representative, Mr. Fisher, came to the rescue of the company.[49] In this way the company was kept from going out of

[46]Rogers to Bettinger, Apr. 2, 1907. *Free Press*, Apr. 17, 1907.
[47]Bettinger to Rogers, Apr. 15, 1907. *Free Press*, Apr. 17, 1907.
[48]*"Farmers in Business."*
[49]G. G. G. Co. to Roblin, Dec. 20, 1906. *Free Press*, Jan. 9, 1907.

existence and indeed was able to pay dividends on the first year's business.[50]

Throughout the period of this episode the entire grain trade was under examination. Attacks made by the farmers upon the Exchange had resulted in the appointment of another Royal Commission under the chairmanship of John Millar, the first secretary of the Saskatchewan Grain Growers' Association. Moreover, Mr. Partridge's charges[51] had borne fruit in another direction. The Manitoba Grain Growers' Association at its annual meeting in 1906 passed a resolution which branded the North West Grain Dealers' Association as a "combine and conspiracy in restraint of trade", and instructed the Executive to "direct the attention of the Attorney General's Department to the matter."[52] In December, D. W. McQuaig, the President, swore evidence against "J. C. Gage, J. G. McHugh, John Love et al," charging them with having "unlawfully conspired, combined or arranged with each other, to restrain or injure trade or commerce in relation to grain. . . ."[53] Sufficient evidence being adduced, an indictment of thirteen points was brought in and the case proceeded to trial.[54] Thus both court and Commission were investigating conditions in the grain trade at the same time that the case of the Grain Growers' Grain Company was attracting attention.

Since the Royal Commission and the court dealt with the same subjects in regard to the Grain Trade, it will be convenient to consider the evidence and their findings together.

[50]*G. G. G. Co.*, 1907.

In conversation with the writer, Mr. Crerar, the President of the Company, and Mr. Kennedy, the Vice-President, expressed the view that the company might never have survived had it not been for the publicity given by expulsion from the Exchange. In attempting to destroy a small farmers' concern, certain grain interests created a formidable rival.

[51]See above, pp. 18-9.

[52]*M. G. G. A.*, 1906.

[53]*Free Press*. Dec. 4, 1906.

[54]*Free Press*, Dec. 18, 1906.

The main charges can be condensed to three. First, that the North West Grain Dealers' Association constituted a combine in restraint of trade; second, that certain companies had operated a pool; third, that the restrictive rules of the Grain Exchange were injurious to trade and illegal.

The North West Grain Dealers' Association was incorporated in 1903 and 1904 in Manitoba, as successor to the North West Elevator Association.[55] The Association was composed of most of the elevator companies of the West,[56] and its functions were to purchase supplies for its members, and to send joint telegrams daily to all buying points giving the closing price for grain.[57] Elevator operators were forbidden to quote prices between 9 a.m. and 1.30 p.m., while the Exchange was open.[58] The widely varying spread between track and street prices was adduced as evidence of the effect of restrictive combination. While it was shown that the prices thus issued by the Association were adhered to by operators, yet it was not shown that there was any agreement for maintaining,[59] or any provision of penalties for cutting such prices.[60] The attempt of the counsel for the Crown to argue that the prohibition of buying between 9 a.m. and 1.30 p.m. constituted "undue restraint" was unsuccessful.[61] It was held by both court[62] and Commission[63] that no "undue" restraint of trade was proved. The decision of the court was based on the legal implication of the word "undue", while the Commission with more acumen pointed out that the spread between track and street prices was due to the shortage of cars, and that only by

[55]Evidence of F. O. Fowler, Royal Commission. *Free Press*, Nov. 22, 1906.

[56]Ibid.

[57]*Report of Royal Commission*, Sess. Paper 59, 1907, p. 16.

[58]Circular 14 of N. W. G. D. A., Oct. 25, 1906. S. P. Clark, Royal Commission. *Free Press*, Jan. 1, 1907.

[59]Verdict of Justice Phippen, *Free Press*, May 22, 1907..

[60]*Royal Commission*, 1907, p. 16.

[61]*Free Press*, Nov. 28, 1907.

[62]*Free Press*, May 22, 1907.

[63]Royal Commission, 1907, passim.

removing that shortage could the danger of combination be eliminated. If cars were plentiful, the producer had always an alternative to selling to the elevator, in the possibility of loading his own car or consigning it to a commission firm. In the opinion of the Commission, the selling of grain through commission firms, first made secure and available to the farmer by the Manitoba Grain Act of 1900,[64] had proved a valuable safeguard against elevator combinations.[65]

The charge of the existence of a pool among certain grain interests was substantiated. Several elevator and milling companies[66] entered into an arrangement by which receipts were pooled.[67] The object of the pool was "to sustain our margin to 3 cents a bushel over the price paid."[68] A monthly quota was assigned to each elevator and a margin of from 2 to 4 cents determined. Those members who exceeded their quota paid into the pool 2 to 4 cents a bushel, and those who did not reach their quota were paid a like amount per bushel.[69] This arrangement lasted for two years but finally fell through because of jealousy among the members,[70] and because "prices were being broken by various elevators over the country."[71]

Here again the court held that there was no "undue" restraint, and neither prosecution nor defence brought forward any facts as to the economic nature of the business of wheat selling and storage to show either the danger or benefit of such combination. The Commission recommended that in future pooling be prohibited. The Act was so amended.[72]

[64]See above, p. 12.
[65]Royal Commission, 1907, p. 17.
[66]Evidence of W. H. McWilliams. *Free Press*, Jan. 14, 1907.
[67]Evidence of N. Bawlf. *Free Press*, Dec. 24, 1906.
[68]Evidence of T. W. Hatchard. *Free Press*, Jan. 1, 1907.
[69]J. C. Gage before Royal Commission. *Free Press*, Jan. 25, 1907.
[70]Ibid.
[71]Evidence of McMillan before Royal Commission, *Free Press*, Dec. 29, 1906. McMillan's evidence suggests that the pool was not one of receipts only.
[72]*Royal Commission*, 1907, p. 17. *Manitoba Grain Act, Statutes of Canada*, 7-8 Edw. vii, c. 45, secs. 111a-111b.

The court dismissed all the charges against the members of the Exchange and of the Grain Dealers' Association.[73] A reserve case taken to the Court of Appeal was also dismissed.[74] Throughout the whole proceedings there was a lack of reality in the presentation of both sides of the case. The prosecution in attacking such points as the "commission rule", the prohibition of buying between 9 a.m. and 1.30 p.m., and the divergence between street and track prices, displayed a knowledge of the essentials of the trade that was superficial, and an attitude very largely subjective. The analysis was little more than that something was wrong, but the points seized upon were not the symptoms of the malady. Only once throughout the trials did economic analysis enter into the presentation of arguments. Mr. Aikins, admitting certain restrictions, attempted to show that no public detriment resulted therefrom, but rather that such restrictions, in curtailing destructive competition, were in the public interest.[75] In default of the prosecution showing such public detriment, the judge held that restrictions were not "undue"[76] and the Court of Appeal sustained his decision.[77] Had more attention been paid to the securing of evidence as to the operation of the pooling arrangement which it was pointed out "would make one buyer out of many;"[78] as to whether the remarkable uniformity of prices of various elevators did not indicate, if not a formal, yet a tacit agreement as to prices among the members of the North West Grain Dealers' Association; as to whether limitations put by the Exchange on the employment of track buyers did not tend to diminish the effectiveness of the independent dealer in competition to the detriment of the producer—had a somewhat more real presentation of these

[73] *Free Press*, May 22, 1907.
[74] *Free Press*, Mar. 2, 1908.
[75] *Free Press*, Nov. 28, 1907.
[76] *Free Press*, May 22, 1907.
[77] *Free Press*, Mar. 2, 1908.
[78] W. T. Gibbons before Royal Commission. *Free Press*, Jan. 1, 1907.

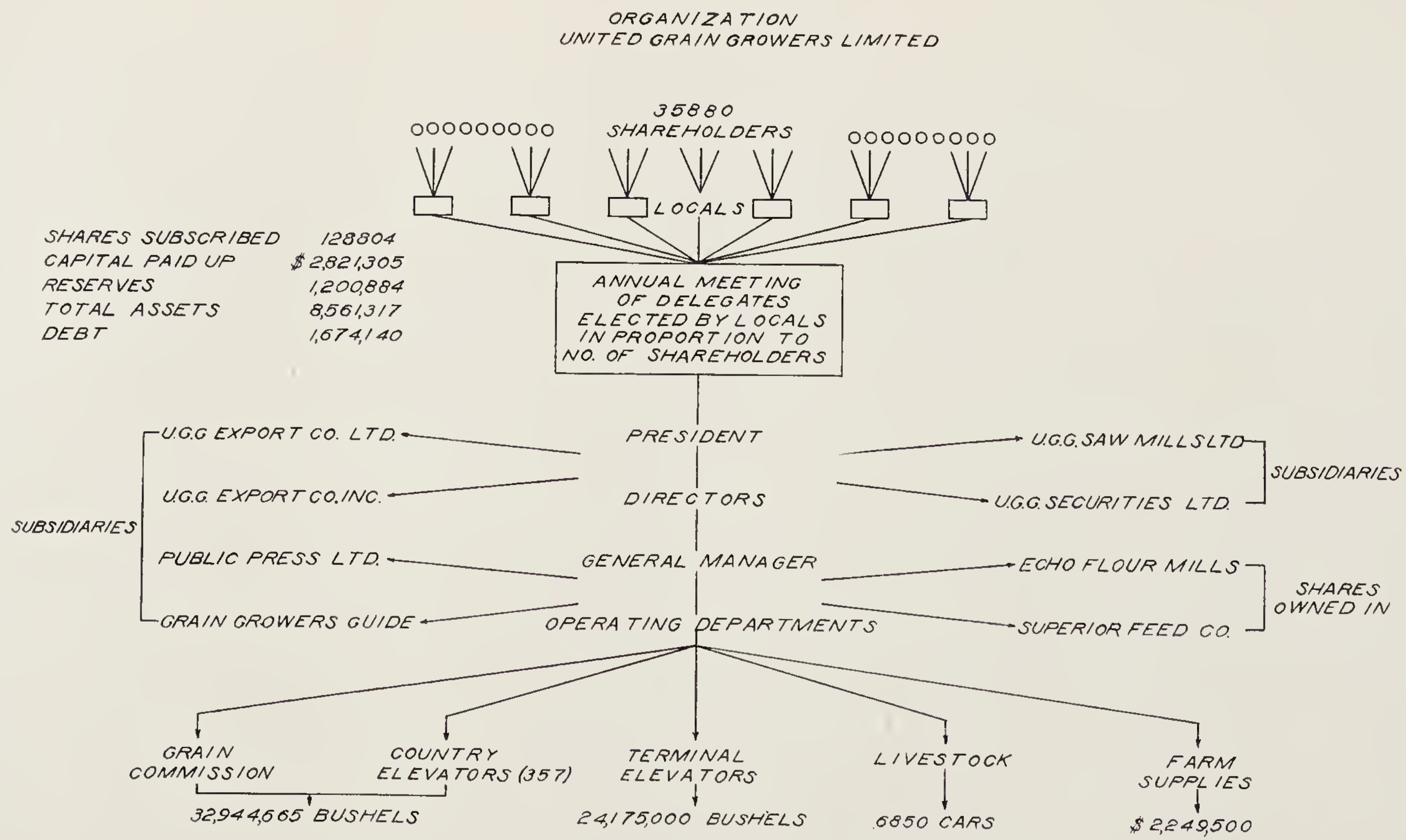

Fig. 1. Organization of United Grain Growers, Limited

aspects of the case been made, the result might have been different and the subsequent measures taken might have been more calculated to produce harmony and efficiency in the trade.

Meanwhile the affairs of the Grain Exchange had become matters of political importance. At the instigation of the Grain Growers' Grain Co. [79] the Roblin government had threatened a special session of the Legislature to amend the charter of the Exchange.[80] When the regular session opened in January, 1908, although the dispute between the Grain Growers' Grain Co. and the Exchange had been settled, the government proceeded to introduce a bill to amend the charter of the Exchange.[81] During the previous summer, a conference of the officers of the Grain Growers' Association, representatives of the grain dealers, bankers and reeves had been held. The grain dealers strenuously objected to the project of government interference in the affairs of the Grain Exchange and withdrew in protest against such action.[82] The remaining members of the conference proceeded to agree to certain amendments. It was proposed to allow an appeal from the action of the Exchange to a Judge of the King's Bench, to prohibit any restrictions upon prices and commissions and to allow the public admittance.[83] It was to the first two amendments that the members of the Exchange, aided by the Winnipeg Board of Trade, objected.[84] It was pointed out that the Exchange had been exonerated by both the Royal Commission and the court, that the action of the government was an unwarranted interference with property rights, and that rather than submit to such amendments the Exchange would dissolve.[85] To these protests the government paid no heed. The

[79] *Free Press*, Apr. 5, 1907.
[80] Rogers to Bettinger, Apr. 2, 1907. *Free Press*, Apr. 17, 1907.
[81] *Free Press*, Jan. 8, 1908.
[82] *Free Press*, Jan. 16, 1908. *M. G. G. A.*, 1908.
[83] *Free Press*, Feb. 13, 1908.
[84] *Free Press*, Jan. 22, 23, 24; Feb. 13, 14, 1908.
[85] Ibid.

premier forced the bill through its third reading by threatening the resignation of the government.[86] As a result, on the 26th of February, the Winnipeg Grain and Produce Exchange passed out of existence and trading was conducted on the curb.[87] Later, in September, the Exchange reopened as an unincorporated voluntary association and has continued as such ever since.[88]

Upon reorganization of the Exchange, notice was given of a motion to rescind the much criticized "commission rule," by-law 19, but the motion was laid over for six months.[89]. When that time had expired the "commission rule" was revoked and commission men discovered the extent to which it had protected them. The one cent a bushel commission was the only revenue which commission agents received and they could not afford to cut it. Elevator companies, on the other hand, receiving also storage and elevation fees, profits on purchases and sales, etc., could afford to forego part of the standard commission. As a result the situation became what the elevator men and the Royal Commission had predicted.[90] The elevators and milling companies were in a position to underbid the commission agents, and the situation bade fair to be worse than that existing prior to 1900. The Grain Growers' Grain Co. faced the situation boldly. It was decided that the commission on coarse grain might be reduced, but that one cent a bushel was a reasonable charge for wheat. The company therefore continued to charge the standard commission for wheat and appealed to the loyalty of its shareholders to aid it in maintaining its position.[91] The grain receipts of the year indicate that this action was sufficient to retain their patron-

[86]*Free Press*, Feb. 20, 1908.
[87]*Free Press*, Feb. 27, 1908.
[88]*Free Press*, Nov. 26, 1908.
[89]Ibid.
[90]Royal Commission, 1907.
[91]This decision was reached by a vote of the shareholders.

age.[92] After a short experience the old rule was re-established and no further question of its justice was raised.[93]

In attacking the commission rule, the commission merchants had been unwise. Indeed only a few of the less discriminating had attacked the rule as such. The counsel for the prosecution in the 'combine case' had vainly tried to fasten on it as an unlawful restriction.[94] The logical, and for most of the commission men the actual, point of attack was the rule which prohibited the employment of track buyers at a salary of less than $50 a month. This was a genuine restriction, since it virtually eliminated the buyer who only gave part of his time, and at many points left the whole field to the elevator companies. Competition was here seriously limited and ground for complaint existed. The justice of this complaint had already been recognized by the Exchange and the "$50 rule" had been recommended for cancellation by the Exchange.[95] The abolition of the rule standardizing commissions, however, threw trading into chaos and put the commission merchants at the mercy of the elevator and milling companies. "While this avenue to reckless competition threatened all commission firms alike, the farmers believed that a special attempt was being made to put the Grain Growers' Grain Company out of business; for they were doing a commission business solely."[96]

[92]*G. G. G. Co.*, 1910.

[93]F. O. Fowler: *The Place of the Elevators in the Western Grain Trade* (n.d.), p. 14.

[94]See above, p. 29.

[95]Bettinger to Rogers, Apr. 1, 1907. *Free Press*, Apr. 17, 1907.

[96]"*Farmers in Business*", p. 6.

While the motive which led to the abolition of "by-law 19" cannot be established, yet the irritation of the elevator companies over the attacks of which they had been the object, and the chagrin at the action of the Manitoba government, would seem sufficient explanation of this move which clearly demonstrated the expediency of one at least of the Exchange regulations.

CHAPTER IV

Experiments in Government Ownership

In the original schemes of E. A. Partridge, government ownership of both country and terminal elevators was one of the ultimate objects. Cooperation was for him not an alternative but a stepping stone to government ownership.[1] The principle of government ownership was accepted by both the Manitoba and Saskatchewan Grain Growers' Associations in 1907.[2] At first the purchase of existing terminals and the building of storage elevators at interior points by the government was demanded as a solution of the problems arising out of car shortage, and as a step necessary to the establishment of a sample market.[3] The Dominion government refused to acquire the terminals or to undertake the construction of internal storage elevators which the Commission of 1906 had declined to recommend.[4] Attention therefore centred on the question of the acquisition of country elevators by the various provincial governments. In favour of government ownership and operation, it was urged that "the large elevator interests, supported by many strong financial interests and working in harmony with large milling interests, were becoming danger-

[1]Cooperation provided a temporary remedy for existing abuses of the grain trade. It would provide out of its revenues a great educational fund which would finance a newspaper and a campaign which would culminate in the domination of the legislatures by the common man, and in the introduction of state ownership of public utilities and natural resources. Then would come true cooperation based on the ethics of Ruskin. The above is a slightly paraphrased summary of opinions expressed by Mr. Partridge in a personal interview with the writer.

[2]*M. G. G. A.*, 1907; *S. G. G. A.*, 1907.

[3]*M. G. G. A.*, 1908; *S. G. G. A.*, 1908. *Free Press*, June 10, 1908.

[4]*Report of Royal Commission*, 1907.

ously strong. Possessing practically all the storage facilities of the country at initial points, and controlling a large portion of the terminal elevator space as well . . . they are able to buy the greater part of the crop at a price much below its legitimate value . . . they can steadily undersell competitors having no storage facilities until such competitors are driven out of business. They would then be in enjoyment of a monopoly of the grain trade."[5] The project was pressed upon the Manitoba government early in 1907 and was referred by it to the conference of reeves, representatives of the grain trade, railroads and grain growers called in June of that year.[6] This conference, after the withdrawal of the representatives of the grain trade,[7] passed a resolution urgently requesting the Provincial Government to "acquire and operate a complete line of storage elevators throughout the Province, along the lines suggested [by the Grain Growers' Associations.]"[8]

Upon the presentation of this resolution to the Administration by the representatives of the conference, the Premier at first rejected it on constitutional grounds[9] and then suggested that a uniform system within the three Provinces would be more satisfactory than three separate systems. At his suggestion the premiers of the provinces met in conference at Brandon and later at Regina.

As a result of the conference two alternative propositions were presented to the Grain Growers, viz., (a) that the Provincial governments should endeavour to persuade the railways to provide loading elevators with special storage bins for individual farmers, or (b) that elevator operators should be

[5]*"Provincial Ownership and Operation of a System of Line Elevators."* Pamphlet issued by M. G. G. A. Appendix, *M. G. G. A.*, 1908. Cited *Grain Growers' Guide*, June, 1908, p. 6.

[6]See above, p. 31. *M. G. G. A.*, 1908; *"Review of Negotiations that led to Government Ownership and Operation of Elevators in Manitoba,"* p. 4. *G. G. G.*, June, 1908, p. 6.

[7]See above, p. 31.

[8]*G. G. G.*, June, 1908, p. 6.

[9]*Free Press*, Jan. 30, 1909.

chosen and controlled by the farmers' organizations of the district, which should have full responsibility for grades, weights, etc.[10] These proposals were rejected as being "totally inadequate" and the request for government ownership and control was reiterated.[11]

Ultimately the three premiers issued a written reply to the demands of the farmers.[12] They set forth the view that they were asked "to create a complete and absolute monopoly" of grain storage, to direct grading and weighing of grain, to "control transportation companies in the matter of expropriation of elevators and sites, the distribution of cars," etc.[13] On this basis they pointed out that the provinces did not possess the necessary constitutional power and that fundamental amendments to the British North America Act would have to be made before any such project could be taken up. It was further pointed out that an outlay of almost ten million dollars would be necessary if a monopoly of elevator storage was to be acquired.[14]. The premiers expressed their readiness to undertake the scheme when the necessary amendments to the constitution had been secured.[15]

To this document the Interprovincial Council, a joint organization established in 1907, representing all the farmers' associations, replied that they were asking the Provincial Governments to undertake no more than private companies were already doing, that "legal monopoly" was "not necessary to safeguard the financial interests of the provinces. Hence no constitutional difficulty presents itself in that regard."[16]

[10]Report of Meeting of Interprovincial Council by E. A. Partridge. *G. G. G.*, June, 1908. The Interprovincial Council was a joint executive appointed by the three Provincial Associations in 1907. It became the Canadian Council of Agriculture in 1909.
[11]Ibid., *Free Press*, Jan. 30, 1909.
[12]Reprinted in *Review of Negotiations, etc.*, p. 19.
[13]Ibid., pp. 20-21.
[14]Ibid., pp. 19-23.
[15]Ibid., pp. 22-3.
[16]Letter of Interprovincial Council. Ibid., pp. 23-5, *Free Press*, Mar. 1, 1909.

They did not wish a monopoly of storage nor duplication of elevators, but that the government should acquire sufficient storage at each point to handle the crop.[17]

When the session of the Manitoba Legislature opened in 1909 Premier Roblin moved a resolution placing the onus of the elevator question on the Dominion government and laying before the Governor-General the situation of the farmers. [18] Further than this he refused to go, still maintaining the project *ultra vires* of the Provincial government.

At the annual convention of the Manitoba Grain Growers' Association in December, 1909, the Minister of Education somewhat unexpectedly announced that the premier of Saskatchewan had notified the Manitoba government that all arrangements between the three premiers were at an end, and that in consequence the Manitoba government, acting independently, accepted "the principle laid down by the Grain Growers' Association of establishing a line of internal grain elevators as a public utility, owned by the public and operated by the public."[19] The minister asked for a committee to confer with the government in the drafting of a bill.[19] For the instruction of that committee, the convention passed a resolution calling for administration of the project by an independent commission.[20] The memorial prepared by the committee provided that the commission should be named by the Board of Directors of the Grain Growers' Association, that commissioners could only be dismissed by a vote of two-thirds of the legis-

[17]Ibid., p. 24.
It was estimated that storage capacity equal to one-third of the average crop would provide the most economical handling.

[18]*Free Press*, Mar. 5, 1909.

[19]*M. G. G. A.*, 1909. *Review of Negotiations, etc.*, p. 6. Public opinion had expressed itself at a bye-election in the constituency of Birtle, in the election of a prominent Grain Grower.

[20]"Be it resolved that this convention of Manitoba Grain Growers declare and affirm that the administration of such a system of elevators should be by a commission completely independent of political influence and control, and responsible directly to the people." *M. G. G. A.*, 1909.

lature or by a decision of the Court of Appeal, and that the Commission having evaluated existing elevators "at the actual business worth of these elevators at the present time" should offer to purchase on this basis before taking the alternative course of building new elevators.[21]

In a series of conferences which were held between the committee of Grain Growers and the Government, it soon became apparent that the government was not prepared to accept the scheme of the farmers *in toto.* The draft Elevator Bill put the direction of the acquisition and construction of elevators in the hands of the Minister of Public Works, under power vested in the Governor-in-Council.[22] To this provision the grain growers raised strenuous and persistent objection.[23] Further, in the case of the Elevator Commission and the owner of an elevator failing to agree upon a purchase price, the matter was to be decided by arbitration.[24] Certain minor points were conceded but on these two crucial matters the government stood firm. Opposition in the Legislature was mainly based upon these points.[25]

The Bill was passed as a government measure and was immediately put into operation.[26] The President of the Mani-

[21]*Review of Negotiations, etc.,* p. 9.

[22]Ibid., pp. 14-15.

[23]See memoranda by M. G. G. A. Ibid., pp. 14-15. The annual convention also reaffirmed its original position. *M. G. G. A.,* 1910.

[24]*Review of Negotiations, etc.,* p. 17. Draft of bill, *Free Press,* Feb. 25, 1910.

[25]There was criticism of the bill in that it provided only for storage of grain and it was asserted that purely storage elevators would not pay. *Free Press,* Mar. 10, 1910. The success of local farmers' elevators however was adduced as proof of the feasibility of the plan. *Free Press,* Mar. 11, 1910.

[26]*Statutes of Manitoba,* 10 Edw. vii, cap. 27.

When requested to nominate men for the Commission, the Directors of the Grain Growers' Association were at first unwilling to have any part in the Government's elevator scheme. (*Free Press,* Mar. 22, 1910). Recognizing however "the importance of having suitable men on the Commission" they named four. (*Review of Negotiations,* p. 16. *Free Press,* Mar. 25, 1910). The Government persuaded the President of the Manitoba Grain Growers'

toba Grain Growers' Association was named chairman of the Commission.

The result of this experiment in government ownership and operation of interior elevators may be briefly described as disastrous. A more dismal failure could not have been predicted. When the Commission reported in February of 1911, there was an operating deficit of $5,000 without any provision for interest or sinking fund charges having been made.[27] In the session of 1912 a complete report was given showing an operating deficit of $10,692.97, and after adding interest and maintenance on a total investment of about $1,000,000 a total deficit for the year of $84,145.23.[28] For the year 1911-12 a deficit on operation and maintenance (excluding interest and sinking fund charges) of $19,066.64 was reported.[29] The leader of the Opposition, by reference to items appearing elsewhere in the Public Accounts and adding interest at four per cent., estimated the real deficit for the year at the larger amount of approximately $110,000.[30]

Even with the confused and unsatisfactory presentation of financial results obtainable from the reports of the Commission,[31] there is no need to elaborate the extent of the failure

Association, Mr. D. W. McQuaig, against the advice of the Directors and in spite of a "self-denying ordinance" which the Executive had imposed on themselves, to accept the chairmanship of the Commission. (*Review of Negotiations*, p. 17. See also *G. G. G.*, July 6, 1910).

[27]*Report of Manitoba Elevator Commission, Man. Sess. Pap.*, 13, 15, 16, 1911. *Free Press*, Feb. 22, 1911. This report covered only part of the crop year, 1910-11.

[28]*Free Press*, Mar. 13, 1912.

[29]*Free Press*, Jan. 29, 1913.

[30]*Free Press*, Jan. 30, 1913.

This amount is made up by use of an item "Advanced for maintenance of elevators" and other items which do not appear to apply to the same accounting period as the figures given by the Government. The total deficit did amount, however, to at least $80,000. In the confused state of the Provincial Accounts it is impossible to be accurate.

[31]Only the report of 1911 was officially printed.

of government ownership and operation of elevators in Manitoba. The causes are only less obvious.

On the whole, facts justified the opposition of the Grain Growers to purchase by arbitration.[32] As purchasing continued the prices steadily rose from 12½ cents per bushel capacity to 20 cents.[33] While it is impossible to reach more than approximate accuracy in the analysis of the purchase prices because of the existence of individual differences in the elevators, yet some facts give sufficient indication of the result of purchasing by arbitration. The prices for all elevators purchased from "line companies" were arrived at by arbitration. Six out of the eighteen farmers' elevators purchased were purchased by negotiation, as were also nine elevators from independent owners. The average price paid for farmers' elevators was 12.76 cents per bushel capacity, while the average prices paid to six "line companies" ranged from 18.13 cents to 23.42 cents per bushel capacity. The average price for the 15 elevators purchased by negotiation was 12.24 cents, that of those purchased by arbitration 20 cents.[34] The estimate of the cost of new construction made by the Dominion Warehouse Commissioner was 21 cents a bushel.[35] While perhaps not "a perfect carnival of waste and extravagance,"[36] it is evident that the purchase of elevators by arbitration increased the initial investment and put a heavy burden of fixed charges on the project from the beginning.

Not only were the prices high but the elevators purchased were in many cases of little value. It was asserted that "the

[32]See above, p. 38.

[33]Speech of Mr. Norris, Leader of the Opposition, on the Budget. *Free Press*, Mar. 14, 1912.

[34]Table of Elevators Bought and Prices Paid. *Sess. Pap., Man.*, 15, 1911. See also *Review of Negotiations, etc.*, p. 25-38; *Free Press*, Feb. 23, 1911. Though the equipment of the various elevators was not identical, it was comparable.

[35]See letter of the three premiers. *Review of Negotiations*, p. 21.

[36]Speech of C. D. MacPherson in Manitoba Legislature. *Free Press*, Apr. 4, 1912.

business done at the points where many of these elevators were purchased was a losing one to the owners previous to the purchase by the government, business having been diverted by the building of railways and other causes."[37]

Another cause of failure was found in the fact that the whole elevator system was restricted to the storage of grain, while all the competitors of the system were engaged also in buying grain.[38] It has been repeatedly shown that at the standard charge of $1\frac{3}{4}$ cents a bushel for elevation, insurance and fifteen days' storage, an elevator must be filled at least three times and under the most favourable conditions in order to result in a net profit.[39] It is easy to see how the Manitoba elevators with heavy initial expenses and poor location were unsuccessful.

On one basis a system of storage elevators could have been operated at a profit or at least with no deficit. The basis is that of a monopoly. On any other basis the government-operated system was at a disadvantage. Being limited to storage and with a low standard rate, competition with private elevators was difficult. It was as a monopoly that the Grain Growers had conceived of the project, a monopoly acquired not by the prohibition of competition, but by successfully supplanting all competitors through superior service. This the

[37]*Review of Negotiations, etc.*, p. 18. While there is no way of verifying the charge, the fact that some of the elevators were never operated by the government lends colour to it, as does the fact that some were not used by the G. G. G. Co. under its lease. See below, p. 45.

[38]The plan of the Grain Growers provided that 25% of the storage space should be reserved for private buyers. (Memorial of Committee of M. G. G. A. to Provincial Government. *Review of Negotiations, etc.*, p. 11.) Only the G. G. G. Co. put buyers into the field and at the few points where they were stationed the service was not unsatisfactory.

[39]See above, p. 17. Most of the estimates submitted to the Sask. Elevator Commission required a volume of grain equal to four times the capacity of the elevator to meet expenses.

Amounts of farmers' elevators in profitable years submitted to the Commission show that they all handled four times their capacity. *Report of Sask. Elevator Commission*, pp. 42-53.

Manitoba experiment signally failed to do. Only by carefully entering the field at the best points where volume of grain was large and where farmers were in a better position to sell grain to commission firms rather than "on the street", i.e. direct to an elevator from the wagon, and by energetic and judicious management, could successful invasion of the field be carried out.

A considerable controversy arose over the monopolistic nature of the Grain Growers' proposals. The three premiers had decided against the constitutionality of a monopoly. The Interprovincial Council replied that a "legal monopoly" was not necessary. Hon. W. R. Motherwell later defended his view that the original proposal had been to establish a monopoly. He quoted a letter from F. W. Green, Secretary of the Saskatchewan Grain Growers' Association: "There can be no question that at first we asked for a monopoly by the government as a cure for private monopoly", and various statements of other prominent farmers. The truth would seem to be that a monopoly was demanded by some, that the Associations themselves did not consider a "legal monopoly" in the sense of a monopoly created by legislative exclusion of competitors necessary, but that calculations were based upon the assumption of a "virtual monopoly." The Manitoba Government was asked to provide storage capacity equal to one-third of the crop, obviously with the expectation of handling the whole crop. That "virtual monopoly" was only to be secured by the extension of advantages to farmers in the matters of grading, weighing, dockage, special binning, etc., which could not be granted immediately except by a legal monopoly. It would seem then that the premiers' constitutional and financial objections were not unfounded, though they may also have served the alleged purpose of postponing decision.[40]

As in practically every case of government ownership, there

[40]See *Regina Leader*, Feb. 13, 1911. *Report of Elevator Commission Sask.*, p. 23; *Review of Negotiations, etc.*, p. 24.

were charges of political management, party bias in the selection of operators,[41] in the location and purchase of elevators,[42] and even in the purchase of supplies,[43] and of juggling of accounts in order to cover inconvenient results.[44] It is difficult to prove or disprove such charges.[45] It may be pointed out, however, that the insistence of the Grain Growers on an "independent commission" was based upon fear of sinister influences,[46] and the refusal of the government to accede to their request and the subsequent failure of the government-owned system were adduced as evidence of political management. Certainly the placing of the direction of purchase and construction under the Minister of Public Works left the way open for suspicion[47] as did also the working out of the system of purchasing by arbitration.[48]

The government itself laid the blame for the failure on the Grain Growers, who, the Premier said, had led the government into a scheme which they failed to support when it was once established. The Premier pointed out that in four months in 1911-12, 2,360 cars had been shipped from government elevators as compared with 5,279 cars from loading platforms.[49]

[41]*Review of Negotiations, etc.*, p. 19.

[42]Ibid., p. 19.

[43]*Free Press*, Mar. 1, 1911.

[44]See report of speech of Hon. Walter Scott, *Regina Leader*, Feb. 9, 1911.

[45]It may be said with regard to the last mentioned that whatever the motive, the financial statements of the Government in regard to the elevators are anything but enlightening. See above, p. 39, note.

[46]*Report of the Elevator Commission of Saskatchewan*, p. 39. The contention was opposed by a government member in Manitoba on the ground that acceptance would be "a tacit admission of incapacity on the part of the government." *Free Press*, Feb. 25, 1910.

[47]The subsequent history of the Roblin Administration did nothing to remove suspicion.

[48]See above, p. 40.

[49]*Free Press*, Apr. 4, 1912. Normally from 20 to 40% of grain was shipped over the platform, varying with the cleanness of the crop. (See Castle's statement in letter of the three premiers. *Review of Negotiations, etc.*, p. 22; also Appendix to Report of Saskatchewan Elevator Commission. Table 5, p. 108.)

154 elevators owned by government handled 2,331,800 bus. of

The explanation given by the Grain Growers of this fact was that the government had alienated the farmers' sympathies by their selection of managers and operators, and had failed to appeal to their self-interest by efficient and prompt service, and by special advantages which the elevators might have offered.[50]

The Manitoba experiment with government elevators has little to teach in regard to government ownership. Its failure may or may not have been inherent in the principle of public ownership. It is related here because of the significance of the result in turning attention and enterprise toward cooperation. Rightly or wrongly government ownership of elevators stood condemned in all three provinces, and Saskatchewan and Alberta, which had held back when Manitoba adopted the plan, turned in another direction for a solution of the elevator problem.[51]

A solution of the problem of the Manitoba Government was found in the leasing of the government elevators in 1912 to the Grain Growers' Grain Company at a rental of six per cent. of the book value of the properties, taxes and repairs being met by the government.[52] There was some criticism of the lease, as private firms had offered a higher rental than the Grain Growers' Grain Company.[53] The administration, however, could not venture to return the elevators to the line

wheat; 71 elevators owned by private companies 2,713,068 bus. of wheat. Average receipts of government elevators, 15,142 bushels; average receipts of private elevators, 38,812 bushels. Of government elevators 54 were not operated. Average receipts for those operated were 23,318 bus. *Regina Leader*, Feb. 9, 1911.

[50]*Review of Negotiations, etc.*, p. 18.

From 1906 to 1911 government ownership of elevators was a central object of the Grain Growers' movement. From 1911 on it sank into the background. Conventions still endorse government ownership as a principle, but in the case of elevators it never again became a dominant issue.

[51]See below, p. 46.

[52]*G. G. G. Co.*, 1912, p. 9. *Free Press*, Jan. 17, 1913.

[53]*Free Press*, Jan. 17, 1913.

companies in the face of an aroused public opinion. The company encountered a considerable loss on the first year's operations, when 135 out of 174 of the elevators were used.[54] This loss was in later years, however, turned into a profit. In 1916 the book value, and consequently the rental, was reduced by an appraisal of the properties.[55] The lease has been periodically renewed down to the present, though the number of elevators has been reduced to 124.[56]

[54]*G. G. G. Co.*, 1913, pp. 8-9.

[55]*G. G. G. Co.*, 1916, p. 9.

[56]In addition the company owns 33 elevators in Manitoba. *G. G. G. Co.*, 1921, p. 44.

CHAPTER V

The Cooperative Elevator Companies.

Discontent with existing conditions in the grain trade and the agitation for government ownership and operation of elevators extended throughout the three provinces. The problem had been considered by the governments in joint conference.[1] With the announcement of the refusal of the premiers to take joint action[2] and the decision of the Manitoba administration to embark upon a provincial scheme,[3] the matter was pressed upon the Saskatchewan government by the provincial Association.[4] The government responded by asserting the sincerity of its doubt as to its constitutional power to set up the monopoly which the Grain Growers, it was understood, had demanded, and promised an investigation by a commission.[5] With some criticisms of "delay" and "evasion" on the part of the government, the proposal was accepted.[6] Professor Robert Magill, Mr. George Langley and Mr. F. W. Green were named members of the Commission, the last two being members of the Executive of the Grain Growers' Association, and nominated by that body.

The Elevator Commission was appointed in February of 1910 and reported at the end of that year.[7] It is not to be wondered at, therefore, that such defects of the Manitoba project as were then apparent should be of considerable influence in shaping the recommendations of the Commission.

[1]It will be remembered that the Grain Growers had at first requested joint action by the three provinces.
[2]See above, p. 36.
[3]See above, p. 37.
[4]*S.G.G.A.*, 1910. Speech of Walter Scott, *Regina Leader*, Feb. 7, 1911.
[5]*S.G.G.A.*, 1910.
[6]*Ibid.*
[7]*Report of the Elevator Commission of the Province of Saskatchewan*, Regina, 1910.

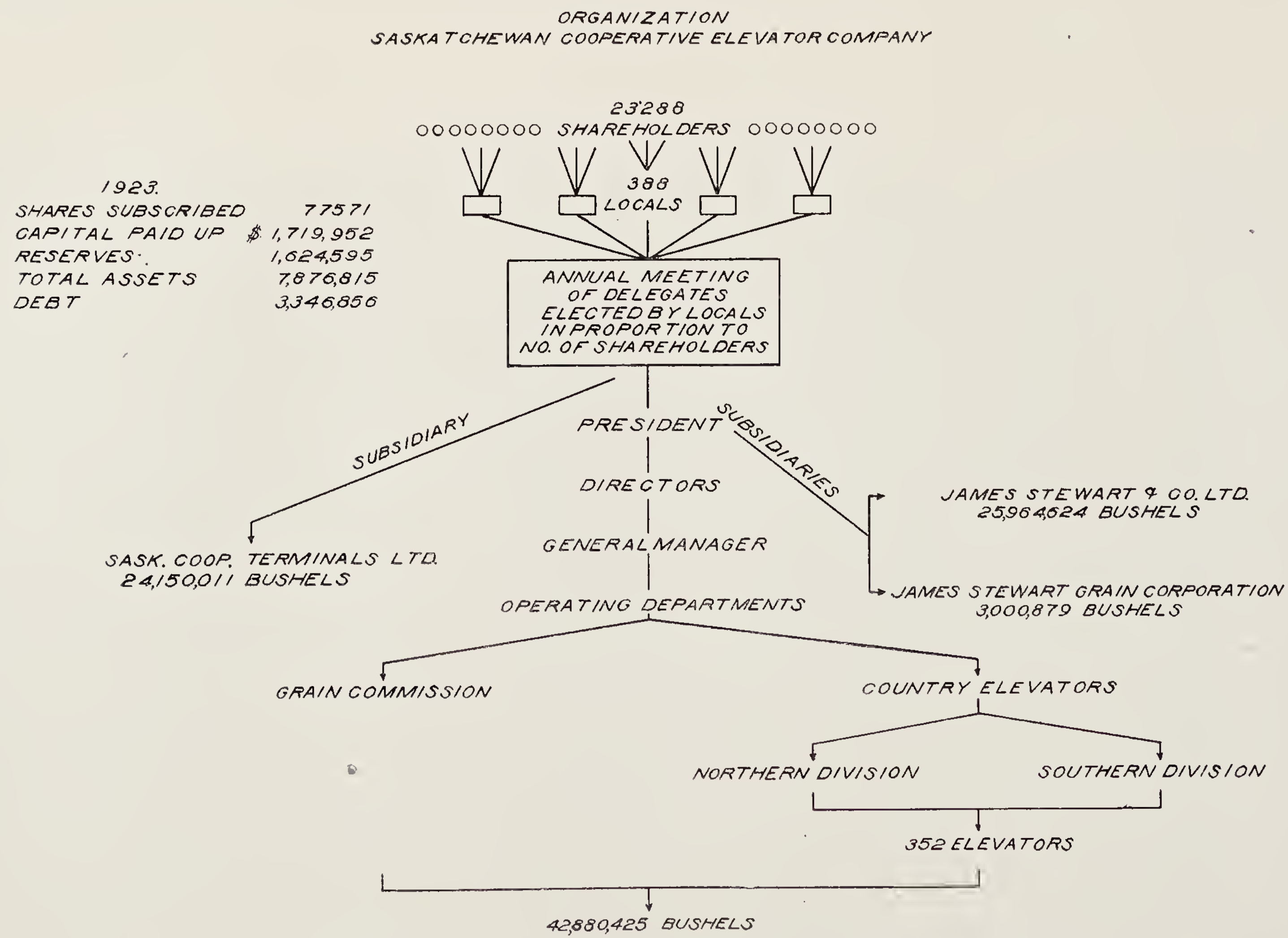

Fig. 2. Organization of Saskatchewan Cooperative Elevator Company

The Report of the Commission sets forth an elaborate analysis of the causes of discontent among farmers and of the remedies proposed. The charges made against the control and operation of the grain trade centre, for fundamental reasons, in the ownership of initial elevators. In the Winnipeg Grain Exchange, the grain market for all Western Canada, "the larger milling and elevator companies operating elevators in the country, and owning and controlling most of the terminals as well, have overwhelming advantages over all the other members (i.e. commission merchants and track buyers) . . . they can buy large quantities of street grain cheap, they can enhance their profits by malpractices in both initial and terminal elevators, they have the income derived from both the storing and handling of the grain, and they can obtain special privileges in transportation and banking. Because of these advantages they exercise a controlling influence in the Exchange. They can guard the membership, modify the rules, and use the mechanism of the Exchange as their own interest requires. They can, if they desire, penalize the independent exporter because he may need to buy grain from them, because he uses their terminals, and because buying much grain at street prices they can undersell him in the ultimate market and still reap a profit. They can penalize the independent commission man, because he may need to buy his grain from them, or sell to them, and because having other and larger sources of income than the commission rate, they can, if they desire, offer higher prices for track wheat and cut off his consignments. Real independence, therefore, on the part of commission men and exporters as against the millers and elevator men there is none. . . If these charges are true, it is evident that the grain business of Western Canada is in the hands of a powerful monopoly, in which a few large milling companies are supreme and the large elevator companies hold the second and the only other place."[8]

[8]*Report of Elevator Commission, Sask.*, p. 21-22.
Cf. these charges with those of Mr. E. A. Partridge in 1906.

This excerpt explains clearly why the attention of farmers' organizations was centred on the elevator question. Having achieved the enlargement of the field for commission men and independent buyers,[9] and having entered the field through the Grain Growers' Grain Co., they were faced by the facts that owners of elevators were stronger competitors than commission men, that the "line elevator" companies and millers had an advantage over independent elevators, and that with these working in close cooperation through the North West Grain Dealers' Association, if a monopoly in a literal or legal sense did not exist, yet competition was between such unequal parties that many of the evils of monopoly were possible. Their plans, however faulty, struck at the competitive advantage of the dominant powers in the trade, i.e. at the initial elevators.

The Report then proceeds to analyse and weigh the possible remedies for the situation. It is pointed out that the farmers are not entirely without remedy, that the existence of the Manitoba Grain Act, of loading platforms, of the commission firms and the Grain Growers' Grain Co., mark substantial gains since the days prior to 1900.[10] It points out that the scheme set forth by the Executive of the Saskatchewan Grain Growers' Association[11] includes many things besides public ownership.[12] "These are the features that give the facilities which will attract patronage of the farmers; and the inference would appear to be that without them a public system would not be a financial success."[13] The scheme of the Association, the Commission refused to recommend because no adequate pro-

[9]See above, p. 12.

[10]*Report of Elevator Commission, Sask.*, chap. viii.

[11]Substantially the same as that of the Man. Association. Ibid., pp. 24-5.

[12]Methods of sampling, grading, advances from banks and from the government involved more than mere government ownership.

[13]*Ibid.*, p. 24. Cf. the criticism of the Manitoba system in *Review of Negotiations, etc.*, p. 18. See above, p. 44.

posals for financing such a project were made, and because the scheme in its entirety involved questions far beyond the field of initial elevators.[14]

It was easy for the Commission to point out the flaws in the elevator system of Manitoba. It reported that few of those giving evidence before the Commission would be satisfied with a similar Act.[15]

The Commission also saw the fundamental importance of the financial provisions. A construction cost of 18 cents per bushel capacity was a conservative estimate.[16] Heavy fixed charges could only be met by a monopoly.[17] To invest upwards of two million dollars in storage facilities for grain when at many points there was already more storage capacity than was required, or than could be profitably operated, would be ruinous unless the government was prepared to eliminate the competition of the "line companies."

Careful estimates by men familiar with the elevator business and analysis of the accounts of various farmers' and municipal elevators showed that, taking grain for storage only, each elevator would require to be filled at least three times, and in most cases four times in a season, in order to pay its way.[18] "The elevators would pay if they got enough grain,"[19] but in that condition lay a very grave financial risk.

In conclusion, the Commission cut away from the various proposals which had been made to it and recommended the establishment of a cooperative company, owned and controlled by the whole body of shareholders, but with a large amount of local autonomy, to engage in the storage and marketing of

[14]"Even though that principle (of provincially owned elevators) were accepted, this particular scheme of provincial ownership is objectionable." *Report*, p. 35.

[15]*Ibid.*, p. 39.

[16]*Report*, p. 42. Cf. Manitoba costs. See above, p. 40.

[17]*Ibid.*, p. 43.

[18]*Ibid.*, p. 45-53.

[19]*Ibid.*, p. 53.

grain. The government should assist by a loan and a grant for organization expenses, but should not interfere in any way with the management of the company.[20]

Though the report of the Commission was unanimous, and though it was signed by two of the members of the Executive of the Grain Growers' Association, the Association only accepted it after a prolonged and heated discussion.[21]

The Administration speedily embodied the recommendations of the Commission in a bill which became law in March, 1911.[22] By that act, with subsequent minor amendments, the Saskatchewan Cooperative Elevator Company, Limited, was incorporated with the Executive of the Grain Growers' Association as a provisional directorate. It was provided that shares of fifty dollars each might be held by agriculturists in amounts of not more than 20 shares and transferable only by vote of the directors.[23] The Company was given power "to construct, acquire, maintain and operate grain elevators within Saskatchewan; to buy and sell grain and generally to do all things incidental to the production, storing and marketing of grain."[24] The Act followed the advice of the Commission in regard to providing for local autonomy as far as possible. The annual meeting was to consist of delegates elected by shareholders organized in "Locals." A Local was to be established wherever shares equal to the value of the proposed elevator were held, fifteen per cent of the amount paid up, and the annual crop acreage of the shareholders representing a proportion of at least 2000 acres to every 10,000 bushels elevator capacity applied for.[25] Shareholders in the Local meeting, it was provided by by-law, were to have one vote each irrespective of the number of shares owned, and voting by proxy was not

[20]*Report*, pp. 96-8.
[21]It was, however, accepted unanimously. *S.G.G.A.*, 1911.
[22]*An Act to incorporate the Saskatchewan Cooperative Elevator Company, Limited.* 1 Geo. v, c. 39, 1910-11.
[23]*Sec.* 3. [24]*Sec.* 2.
[25]*Sec.* 13.

allowed.[26] Delegates to the General Annual Meeting also were given one vote each.[27]

To aid in financing the company the Governor-in-Council was empowered to loan to the company amounts equal to not more than 85% of the cost of the several elevators, to be secured by a mortgage on the elevator and repayable in twenty equal annual instalments.[28] Further, the government provided a sum for organization expenses and guaranteed the account of the company with the bank.[29]

In regard to the payment of dividends, the act left considerable latitude to the company so that policy might be dictated by experience. Dividends to shareholders might not exceed ten per cent. of the paid up capital.[30] Patronage dividends up to fifty per cent. of the balance could be paid to shareholders, to supporters of locals on the basis of "the aggregate relative net financial results of the respective locals", or to both shareholders and supporters.[31] In place of this distribution, the balance might be "applied for the general purposes of the company", or applied in liquidation of the unpaid balance of the capital stock of the company.[32] Any surplus remaining after these deductions was to be set apart in an Elevator Reserve Account to be used in the purchase of grain.[33]

The Cooperative Elevator Company, set up by this act, was designed to meet the requirements of the Grain Growers and was a carefully planned project based upon the experience of the past ten years. It attempted to do in the elevator field what the Grain Growers' Grain Company had done in the commission field — provide another competitor in the field

[26] *By-laws, Sask. Coop. Elevator Co.*, 1914, By-law 14, sec. 5.
[27] *Elevator Act*, sec. 10.
[28] *Ibid.*, secs. 24-26a.
[29] *Ibid.*, secs. 27-27a.
[30] *Ibid.*, sec. 20 (2).
[31] *Ibid.*, sec. 20 (3).
[32] *Ibid.*, sec. 20 (3).
[33] *Ibid.*, sec. 20 (4).

and allow farmers to gain first hand knowledge of elevator problems.[34] The results of farmers' elevators showed the necessity of the operation of a line of elevators rather than of individual units, both because of competitive strength and because of the danger of local management. The plan wisely combined the best features of the Grain Growers' Grain Company with those of the farmers' elevators and was modified by the results of the Manitoba experiment. As such it has been a substantial contribution to the solution of the problems of grain marketing.

In Alberta the United Farmers' Association had joined in the agitation for government elevators,[35] but action in that province was delayed partly because of the comparatively recent establishment of the Association,[36] partly because farming interests were less exclusively devoted to grain, and partly because the problem in Alberta was somewhat distinct in that the farmers were anxious to establish marketing connections with British Columbia and the Pacific coast.[37] Thus the question was still undecided in 1911, when the Association had two experiments upon which to base conclusions.

With the experiments of Manitoba and Saskatchewan before it and in spite of the efforts of those who still advocated a government monopoly, it was small wonder that the Elevator Committee of the Association reported in favour of a plan similar to that of Saskatchewan with additional provisions to allow for shipments to the West.[38] When presented with this recommendation the Alberta government asked for time to see the results of the Saskatchewan experiment,[39] and later expressed its willingness to accept any "satisfactory" plan which was submitted.[40] The plan first advanced was similar

[34] *Report of Elevator Commission*, p. 74.
[35] *U.F.A.*, 1900.
[36] See above, p. 14.
[37] *U.F.A.*, 1911; also *G.G.G.* Jan. 25, 1911.
[38] *U.F.A.*, 1912; also *G.G.G.*, Jan. 24, 1912.
[39] *Ibid.*
[40] *Report of Elevator Committee, G.G.G.*, Jan. 29, 1913.

to the Saskatchewan Act but expressed a preference for having the government either loan money to, or guarantee the bonds of, the Grain Growers' Grain Company in order that that company might enter the elevator field in Alberta.[41]

The government was unwilling to subsidize or finance an extraprovincial company and that plan gave way to the project of an independent company for Alberta patterned after the Saskatchewan Cooperative Elevator Co. The committee of the Association, however, thought that the methods of financing the Saskatchewan company left an opening for government interference.[42] "In the matter of financial arrangements it would be better for arrangements to be made whereby the full control and responsibility would rest with the farmers themselves."[43] It was this view which lay behind the few differences which existed between the Alberta and the Saskatchewan Acts. In the former it was specifically provided that the Company should have power "to sell or lease to any company or make an agreement with any company to control and operate grain elevators in the Province of Alberta."[44] It was further provided, since the Company had to provide its own working capital, that 20% of the stock subscribed should be paid up,[45] while the proportion loaned by the government for the purchase or construction of elevators was the same as in Saskatchewan—85%.[46] Further provision was made for payment of subscriptions in full in regular instalments. The

[41]*Official Circular*, No. 15, of U.F.A., *G.G.G.*, Dec. 25, 1912.
Address of E. J. Fream, *U.F.A.*, 1913; *G.G.G.*, Feb. 5, 1913; *U.F.A.*, 1913.

[42]It is interesting to note that in Manitoba and Alberta the interference of the government was viewed with much greater suspicion than was the case in Saskatchewan. The presence of a considerable industrial population and of an agricultural population less exclusively devoted to grain growing, in these provinces, probably accounts for this; the greater intensity of party conflict may also have been a factor.

[43]*Report of Elevator Committee, U.F.A.*, 1913.

[44]*Statutes of Alberta*, 4 Geo. v, c. 13, 1913, sec. 5.

[45]*Ibid.*, sec. 19.

[46]*Ibid.*, sec. 32.

Lieutenant-Governor-in-Council was not given power, as in Saskatchewan, to guarantee current bank borrowings of the company.[47]

In its business activity the company differed from the Saskatchewan company in that it opened Livestock and Cooperative Supply departments,[48] and also in that it was financed by the Grain Growers' Grain Company. The bonds of the company were guaranteed by the government, but there was no guarantee of its bank account, and therefore the company depended on loans from its financial and selling agent, the Grain Growers' Grain Company. At the end of the first crop year, the Alberta Farmers' Cooperative Elevator Company, with a paid-up capital of but little more than $100,000,[49] was indebted to the Grain Growers' Grain Company to the extent of more than $328,000. This arrangement continued for some years, but increasing difficulties were encountered. In the year 1914-15 bank credit was curtailed, the company was not able to borrow on its own security, and for a period of five days buying had to be discontinued.[50] The Grain Growers' Grain Company, though itself restricted in its line of credit, supplied the necessary funds on the security, not only of the grain purchased, but also of unpaid calls on subscribed stock.[51] By the end of 1916 the company was in a much more secure financial position and was able to pay its first dividend.[52] Its close financial relationship with the Grain Growers' Grain Company, amounting to financial dependence, made the directors of the company willing to entertain projects which were put forward for the amalgamation of the farmers' grain companies.

[47] See above, p. 51.

[48] The power to deal in supplies was given to the Saskatchewan Company (see Act, sec. 2) but was not used.

[49] *A.F.C.E. Co.*, Oct., 1914.

[50] *A.F.C.E. Co.*, Nov., 1915.

[51] *Ibid.;* also *G.G.G. Co.*, 1914 and 1915.

[52] *A.F.C.E. Co.*, 1916.

The proposal to federate or amalgamate the farmers' companies was frequently made, after the establishment of the Alberta and Saskatchewan companies, and was discussed at the meetings of the Canadian Council of Agriculture during 1915. The first definite step was taken at the Annual Meeting of the Grain Growers' Grain Company in 1915 when a resolution was passed in favour of federation.[53] Similar action was taken by the other two companies and further investigation was urged.[54] A further meeting of the representatives of companies and associations was held at Saskatoon in 1915. When it was proposed to federate the companies, using the Grain Growers' Grain Company as the central or wholesale company, with the provincial companies separately organized to look after the collection and distribution of commodities through their locals, a difference of opinion between Saskatchewan and the other provinces emerged. The Saskatchewan company was unwilling to give up its own selling agency for grain in Winnipeg[55] and favoured a loose working agreement rather than federation.[56] Its representatives urged in addition that "the policy of the same company being both exporter of grain and grain commission merchant . . . is not a sound policy."[57] Further discussion of the policy of federation was dropped. The Alberta Company and the Grain Growers' Grain Company, however, adopted the alternative of amalgamation. The already close financial relationship between the companies, the need of the Alberta Company for a selling agency in Winnipeg, the fact that the field of the Grain Growers' Grain Company was becoming restricted, and that Manitoba offered little room for expansion so far as the

[53]*G.G.G. Co.*, 1915.

[54]*A.F.C.E. Co.*, 1915; *Sask. Coop. Co.*, 1915.

[55]In its first year of business the Saskatchewan Company sold its grain through the G.G.G. Co., but the next year it set up its own commission department in Winnipeg and later built its terminal elevator at Port Arthur.

[56]President's Report on Amalgamation of Farmers' Companies, *G.G.G. Co.*, 1916.

[57]*S.G.G.A.*, 1917.

collection and distribution of commodities was concerned, and the additional fact that the Winnipeg company had a considerable number of shareholders in Alberta, were the cogent reasons which made these companies anxious for union.[58]

That amalgamation of the two companies into the United Grain Growers, Limited,[59] brought several changes in the charter of the company. The capitalization of the company was increased to five million dollars.[60] Proxy voting, which up to this time had been in practice in the Grain Growers' Grain Company, was replaced by the delegate system,[61] and the organization of shareholders into locals as in the Saskatchewan and Alberta companies was provided for.[62]

The completion of this amalgamation left two great grain companies organized on similar plans. The Saskatchewan company is limited, however, to the grain trade, while the United Grain Growers, Limited, has entered many fields. Originally a grain commission firm, it extended its activities into the export field by opening an export department, which after severe experiences was reorganized into two subsidiary companies, United Grain Growers' Export Company, Limited, of Winnipeg, and the United Grain Growers' Export Company, Incorporated, of New York. The Country Elevator Department was organized in 1912 to operate the Manitoba elevators. A Livestock Commission Department was opened

[58]Loc. cit., *G.G.G. Co.*, 1916.

There were obvious reasons why federation did not appeal strongly to the Saskatchewan company. From its inception the company had made rapid, even extraordinary, progress. It was the pioneer in the elevator field and the largest owner of elevators in the West. It had, moreover, a territory which was more dominantly a grain growing area than that of either of the other two companies, the best field for expansion in the grain business and the willing cooperation of the provincial administration. It had less to gain through federation and some local pride to sacrifice in accepting the project.

[59]*Statutes of Canada*, 7 Geo. v, c. 79, 1917.

[60]*Ibid.*, sec. 4.

[61]*Ibid.*, sec. 5.

[62]*Ibid.*, sec. 6.

in 1916 and a Cooperative Supplies and Machinery Department in 1912. The Grain Growers' Guide, a weekly farm journal, initiated in 1908 with the support of the company, has become the most considerable farm journal in the country with a weekly circulation of over 82,000, and is controlled by a self-financing subsidiary, Public Press, Limited. For some years, United Grain Growers, British Columbia, held a place on the Pacific coast, but in 1921 was sold to a private company. A recently organized (1917) subsidiary company, United Grain Growers' Securities, Limited, consists of a Land Department for appraisal and sale on commission, and an Insurance Department, writing for the Car and General Insurance Company all varieties except life insurance. The United Grain Growers' Sawmills, Limited, controls a timber limit and mill in British Columbia. With the exception of some stock held by the resident managing director of the New York Export Company, and a small amount held by employees of Public Press, Limited, all stock in subsidiary companies is held by the parent company, and the various Boards of Directors are drawn from the Board of the United Grain Growers, Limited. A somewhat similar development has been undertaken later by the Saskatchewan Cooperative Elevator Company in the incorporation of the Saskatchewan Cooperative Export Company in 1920. This was replaced in 1923 by three subsidiaries, Saskatchewan Cooperative Terminals Limited, James Stewart & Co. Limited, and the James Stewart Grain Corporation, Inc.[63]

[63]*Coop. News*, December, 1923.

CHAPTER VI

Other Cooperative Enterprises.

The history of the development of cooperation in the grain trade has been discussed at some length because, not only was it the most important and earliest development, but it has also been dominated by the experience of Western Canada rather than by *a priori* cooperative principles.

Many other developments of shorter and less important history than those of the grain trade have taken place. Those which concern livestock, dairy products, wool and farm supplies will be dealt with briefly.

Because of the climatic conditions in the province and the consequent importance of livestock in its agriculture, Alberta first developed cooperative marketing of livestock on a considerable scale. While the Grain Growers of Manitoba and Saskatchewan were almost solely concerned with the marketing of grain, the United Farmers of Alberta were vitally interested in the problems of the livestock industry. When the agitation for government ownership of elevators was at its height in all three provinces, Alberta farmers were also agitating for a government pork-packing establishment, and for government action in regard to establishing a beef-chilling industry.[1] Consideration of such projects continued for some years but eventually produced no tangible results.[2]

When the Alberta Farmers' Cooperative Elevator Company was formed[3] there was a considerable demand for the provision of cooperative facilities for livestock marketing. The

[1] *U.F.A.*, 1909, p. 4.
[2] *U.F.A.*, 1913, p. 11.
[3] See above, p. 53.

company in consequence opened a Livestock Department in 1914, during the first year of its operation, and handled 114 cars of stock.[4] A somewhat similar scheme had been carried out in a small way by the Farmers' Cooperative of Red Deer after the failure of the government pork-packing project and served as a model.[5] Consignments were at first sold on commission of 5% over and above handling charges under a plan of returning "the profits pro rata to the patrons in stock in the company."[6] Farmers, however, demanded the quotation of a net price on the same basis which other buyers adopted. The company in response gave up the commission business after two months' operation and the department bought livestock outright.[7] The handling of stock on commission increased in favour, however, until in 1917 out of a total of 1,242 cars handled, 715 were handled on commission in addition to part of the stock of 104 cars. In the same year the department operated at a loss of more than $6,000 "caused by injudicious buying at country points." The reorganized department turned from purchasing to a commission business and the encouragement of cooperative shipments.[8]

A similar Livestock Department was opened by the Grain Growers' Grain Company in 1916.[9] Though operated at first at a loss this department has since become profitable, not only selling stock on consignment, but also purchasing stockers and feeders for its patrons. With the amalgamation of the two companies in 1917,[10] the departments were continued at both Calgary and Winnipeg markets and offices opened at Edmonton, Prince Albert, and Moose Jaw.[11]

The necessary basis for these terminal market organizations has been the local cooperative livestock shipping association.

[4] *A.F.C.E. Co.*, 1914, pp. 9-10. [5] *Ibid.* [6] *Ibid.*
[7] During the first year only hogs were purchased. *Ibid.*
[8] Livestock Department, *A.F.C.E. Co.*, 1917.
[9] *G.G.G. Co.*, 1916, p. 18.
[10] See above, p. 55.
[11] *U.G.G., Ltd.*, 1918, p. 13; 1919, p. 58.

As in so many fields of industry Canadians have here availed themselves of the results of American experience. The first of such associations in the United States was formed at Litchfield, Minnesota, in 1908.[12] The movement soon spread into Canada. The Red Deer Farmers' Cooperative Company, incorporated in 1909, marketed hogs cooperatively through almost its entire history, though its methods were not identical with those of the American associations.[13] With the encouragement of the Cooperative Organization Branch of the Saskatchewan Department of Agriculture, the movement after 1914 made rapid strides.[14] "A cooperative stock marketing association is simply an organization through which the farmers in a district unite to make up car lots of livestock, which are then forwarded to some central market to be sold where competitive bidding is assured, the proceeds from the sale, less the manager's commission and all necessary expense, being distributed to those supplying the animals in proportion to the prices received for their stock."[15] The association makes it possible for the farmer who has not himself a large enough shipment to sell his live stock in a central market, to reach that market through cooperative shipments.[16]

In Saskatchewan, where the most complete organization has been effected, and where records are available, the number of such associations has increased steadily since 1914. In that year 9 associations shipped 30 cars of $42,000 value. In 1920, 54 associations shipped 912 cars valued at $1,429,000. In

[12]Doty and Hall: *Cooperative Live Stock Shipping Associations.* U.S. Department of Agriculture, Farmers' Bulletin 718, 1916, p. 2. For the history of the rise of these associations see *Marketing and Farm Credits*, Chicago, 1916, p. 268.

[13]In 1913 this company became a local of the Alberta Farmers' Co-operative Elevator Company. For an account of its activities see Geo. Harcourt: *Red Deer U. F. of A. Cooperative Association, Agricultural Gazette of Canada*, 1914, p. 745-6.

[14]W. W. Thomson: *Cooperative Live Stock Marketing*, Bulletin 41, Department of Agriculture, Sask., 1914.

[15]W. W. Thomson: *Cooperative Live Stock Marketing* (3rd edition), 1919, p. 4.

[16]For further details, see below, Chap. x.

1921 the falling market brought a reduction to 41 associations shipping 564 cars valued at $608,000, while in 1922, 52 associations shipped 805 cars valued at $749,360.[17]

The United Grain Growers, Limited, has supplied a variant of the cooperative association by appointing in consultation with the farmers of a district a shipping agent who receives a commission and is responsible to the Livestock Department of that company. In many cases the company's elevator operator is appointed. This arrangement makes unnecessary the formation of an association since the agent performs the functions which would ordinarily be performed by the local manager. In the matter of prices and charges the transactions are conducted on the same basis as with a fully organized cooperative livestock shipping association.[18] The company also receives shipments from individuals and associations. On the other hand, many associations ship to ordinary commission firms rather than to the United Grain Growers, Limited.

Another cooperative development in the field of livestock marketing came as a result of the findings of the Saskatchewan Livestock Commission.[19] That Commission was appointed to consider the reasons for the slow development of the live stock industry in Saskatchewan, despite excellent natural advantages, nearness to the markets of the United States, and as compared with Australia and Argentine, nearness to the European market.[20] Some of the Commission's recommendations had to do with cooperative organization. The work of the local associations was endorsed and a vigorous policy of encouragement recommended.[21] "To secure

[17]*Report of Coop. Organization Branch*, Dept. of Agriculture, Sask., 1923, p. 28.

[18]*Coop. Livestock Marketing Leaflets*, U.G.G., Ltd., Livestock Department (n.d.).

[19]*Interim Report of the Livestock Commission of Sask.*, Regina, 1917. *Final Report of the Livestock Commission of Sask.*, Regina, 1918.

[20]*Ibid.*, pp. 13-4.

[21]*Ibid.*, p. 40.

more positive advantages . . . the next step . . . would be for the cooperative shipping associations to unite in establishing a common commission agency at the nearer central markets or possibly the same results may be expected from maintenance of commission agents at Winnipeg and Calgary by the United Grain Growers, Limited."[22] The Commission further recommended that a cooperative packing plant be established, preferably under the organization of the Saskatchewan Cooperative Creameries, Limited, which already had undertaken the marketing of perishable farm produce and was operating large cold storage plants.[23] Up to the present no action has resulted from this recommendation.

In many respects the most vital question with which the Commission dealt was that of the relation of Saskatchewan to the central markets and its effect upon the stocker and feeder movement. As a marketing centre Winnipeg has the advantage of being the natural assembling point for traffic bound for the eastern markets near to the centres of population or ocean ports. That position has given it dominance as a primary grain market, but it carries with it serious disadvantages for livestock marketing. The same factors which have caused the shifting of the livestock market from Chicago to Omaha and St. Louis—nearer the stockraising areas—have operated in Western Canada. Very important has been the fact that a flourishing livestock industry requires a ready supply of stockers and feeders. While the grain market is for the farmer a selling market solely, the livestock market is for both sale and purchase. Consequently the location of Winnipeg at the eastern limit of the producing area handicapped the Saskatchewan producers who bought in Winnipeg Saskatchewan stock and reshipped it west for stocking or feeding.[24] As a remedy for this the Commission proposed the

[22] *Ibid.*, p. 23.
[23] *Ibid.*, pp. 41-3
[24] *Ibid.*, p. 17.

establishment of stockyards and a public market by any cooperative company which might enter the packing field.[25]

In 1918 the Saskatchewan government undertook to apply this remedy by the creation of cooperative stock yards at Moose Jaw and Prince Albert.[26] These companies were organized to provide public marketing facilities similar to those offered by the Union Stock Yards at Winnipeg. No innovation in the ordinary marketing process was made. The companies differ from other public market companies only in that one-third of the building cost is defrayed by the government, at least fifty per cent. of the shares must be owned by farmers, dividends on stock are limited to eight per cent. and surpluses must be transferred to a stock yards reserve account. Shares are of one hundred dollars par value, and provision is made for the payment of regular instalments until the full amount is paid.

Thus far, cooperative marketing of livestock had been carried only as far as the primary markets. Two other fields of activity were open to it. The British market has always been a desirable but difficult one for the Canadian producer of beef. Experiments, early and late, with chilled beef shipments have not been successful and from 1892 to April 1, 1923, the shipping of Canadian cattle to interior points in Great Britain was forbidden. The only outlet was in the shipment of live cattle for immediate slaughter.[27] With the decline of market values, and the enactment of the Emergency Tariff by the United States, the United Grain Growers Ltd. endeavoured to make use of this outlet for their patrons by organizing an Export Cattle Pool in 1921 through which 1,549 cattle were shipped to British ports. The financial results were not satisfactory but

[25] *Ibid.*, pp. 41-2.

[26] *An Act to incorporate the Southern Saskatchewan Cooperative Stock Yards, Limited*, 9 Geo. v, c .88, 1918-19.

An Act to incorporate the Northern Saskatchewan Cooperative Stock Yards, Limited, 9 Geo. v, c. 87, 1918-19.

[27] *How Should Canada Export Beef Cattle?* Pamphlet 39, Dominion Department of Agriculture, 1923.

it was claimed that some congestion on the Winnipeg market was relieved.[28]

With the removal of the British embargo in 1923 shipments were made by the Export Pool via Quebec and the Company reports that "in spite of the difficulties encountered, the export operations have on the whole been satisfactory and undoubtedly a benefit not only to Pool shippers, but the livestock producers of this country. . . . There is no question of the advantage of the Pool from the standpoint of the producer."[29]

With a similar organization another field has been explored. On all important livestock markets there operate dealers who make a profit through the buying of cattle on one market and selling on another. Through the activity of these speculators and scalpers, markets are kept "in line" with each other.[30] The producer is unable to undertake such a function because his information in regard to the different markets is meagre and before he has time to instruct his commission agent market levels may have changed. In 1923 the United Grain Growers Ltd. organized a series of Cattle Pools first on a weekly and later on a yearly basis, in order to make it possible for the producer to take advantage of varying market conditions at different trade centres, and to effect means by which cattle for which there is not a ready local demand may be transferred to other markets.[31]

Under this plan, shippers bill their cattle to the Cooperative Sales Department of the United Grain Growers Ltd. and authorize the company to sell them under the cooperative plan. Cattle may be thus billed by a local cooperative shipping association. On arrival at the stockyards the cattle are graded and sorted and the various lots will be sold then or consigned to other markets according to the judgment of the officials of the

[28]*U. G. G.*, 1921.
[29]*U. G. G.*, 1923, pp. 50-1.
[30]Weld, *Marketing of Farm Products*, p. 116.
[31]*U. G. G.*, 1923, Report on Cattle Pool.

Department. On arrival at the primary market the cattle are weighed and valued and if requested an advance of 70% of the valuation will be made to the shipper. A participation certificate is issued on which payment is made according to the results of the pool after the expenses have been provided against the different shipments. Though originally conducted on a weekly basis, these sales are now operated on a yearly basis, all shippers sharing jointly the expenses of cooperative selling for the entire year.[32].

Cooperation in the dairy industry presented somewhat different problems. Scattered population, absence of local markets and the advantages of grain growing have made the development of dairy farming in Western Canada, in spite of government assistance, slow and difficult. Cooperative creameries were established in the Territories under the Federal Dairy Commissioner in 1896.[33] They were few in number, however, and their existence was always precarious. In Alberta and Manitoba they have dwindled into insignificance. In Saskatchewan when the province was formed in 1905 there were but four cooperative creameries and one privately owned plant in operation.[34] When the province assumed control, the creameries were voluntarily brought under the Provincial Dairy Commissioner who supplied operators.[35] Funds amounting to $34,600 were also advanced at three per cent. by the government from 1908 to 1917.[36] The product was sold

[32]*Cooperative Cattle Selling*—Advertising Leaflet of U. G. G., Ltd., 1923.

[33]*Dairymen's Ordinance, General Ordinances of North West Territories*, 1905, p. 225.

[34]*Report of Dairy Commissioner*, Department of Agriculture, Sask., 1918, pp. 14, 18.

[35]*Cooperative Organization Branch*, 1914, p. 21.

[36]*Statutes of Saskatchewan*, 6 Edw. vii, c. 39, 1906.
Report of Dairy Commissioner, Sask., 1918, p. 16.
Revised Statutes of Saskatchewan, 1909, c. 113.
Statutes of Saskatchewan, 1 Geo. v, c. 33, 1910-11.
Statutes of Saskatchewan, 2 Geo. v, c. 42, 1912.
Statutes of Saskatchewan, 5 Geo. v, c. 20. sec. 19, 1914.
Statutes of Saskatchewan, 6 Geo. v, c. 32, 1916.

collectively by the Dairy Commissioner and dividends were paid to the patrons on the basis of the amount of butter fat contributed.[37] Under this arrangement the enterprise made marked progress, becoming well established and of too large proportions commercially to be operated longer by the government.[38]

The benefits of centralized management had been amply demonstrated.[39] The problem was to obtain the benefits of centralization under cooperative organization. To that problem six years of experience with the Saskatchewan Cooperative Elevator Company supplied the answer. In 1917 the separate companies were amalgamated in the Saskatchewan Cooperative Creameries, Limited, under a charter similar to that of the Elevator Company.[40] Because the creameries established under the Dairymen's Ordinance had shares of one dollar par value the capital stock of $500,000 was divided into fifty thousand shares of one dollar each and twenty-two thousand shares of twenty dollars each.[41] A limit of one thousand dollars was put upon the holdings of any individual.[42] Stock of the old companies was exchanged for stock of the new on the basis of the appraised value of the properties.[43] The Lieutenant-Governor-in-Council was empowered to loan sums equal to seventy-five per cent. of the value of warehouses or other buildings constructed or acquired on the security of a mortgage.[44] Earnings may be distributed by a dividend not exceeding ten per cent. on capital and by a dividend on patronage not exceeding fifty per cent. of the surplus left after

[37]See R. D. Colquette: *Western Dairy Development, G.G.G.*, Nov. 28, 1917.

[38]*Report of Dairy Commissioner*, 1918, p. 5.
In 1916, 17 cooperative creameries produced 2,500,000 lbs. of butter. *Ibid.*, p. 14.

[39]*Agricultural Gazette*, 1914, p. 366.

[40]*Statutes of Saskatchewan*, 7 Geo. v, c. 26, 1917.

[41]*Ibid.*, sec. 4, subsec. 1.

[42]*Ibid.*, sec. 4, subsec. 2. [43]*Ibid.*, sec. 21, subsec. 1.

[44]*Ibid.*, sec. 28.

paying the dividend on capital.[45] The rule of "one man, one vote" was adopted,[46] as was also the system of local boards and the annual meeting of delegates.[47] One important feature of the company is that persons other than agriculturists can become shareholders. In this respect it differs from the elevator company.

Thus the creameries were put upon a basis similar to that of the elevators. It is significant, however, that in this case local units, long established, amalgamated, while in the case of the elevators the central and local units were established at the same time.

Sheep-raising is of importance in the prairie provinces wherever conditions make land suitable for grazing rather than grain growing and in those districts where mixed farming is taking the place of specialized grain growing.

As in the case of creameries, cooperative marketing of wool was initiated by government agency. In 1913 the Sheep and Goat Division of the Federal Department of Agriculture undertook to grade wool marketed by sheep growers. Local and provincial wool marketing associations were formed.[48] In Saskatchewan the Department of Agriculture undertook the marketing of wool, deducting from the price the cost of marketing.[49]

In 1918 "because of organization of the mill men and pressure for an embargo on the export of wool,"[50] various associations and individuals organized cooperatively the Canadian Cooperative Wool Growers, Limited, under a Dominion

[45]*Ibid.*, sec. 34. [46]*Ibid.*, sec. 16.

[47]*Ibid.*, s. 14-17, sec. 10-11.

[48]W. W. Thomson: *Wool Marketing and Manufacture*, address before Western Canada Livestock Union, Part iii. *Free Press*, Jan. 19, 1921.

[49]*Cooperation Organization Branch*, Sask., 1914.

[50]E. W. Reynolds: *National Wool Growers' Organization, G. G. G.*, Feb. 20, 1918.

charter.[51] The charter provides for a dividend of six per cent. on capital, an annual addition to reserve fund of an amount not greater than 1% of the total sales, and for the distribution of the surplus as a patronage dividend to shareholders and non-shareholders.[52] The Annual Meeting is one of delegates elected by the shareholders in each province. Each province is entitled to one Director and no province can have more than three.[53]. Wool is gathered by local wool growers' associations and sales are made by the central company. While the company embraces the whole Dominion, yet of the wool sold almost three-quarters comes from the prairie provinces, and so it is an essential part of the marketing machinery of Western Canada.[54]

Cooperative purchase of farm supplies developed later than cooperative marketing of products. Unity of interest, driving necessity and the opportunity for a considerable saving, were not so apparent. While some cooperative or semi-cooperative stores existed there was no widespread cooperative purchasing until the various provinces facilitated incorporation by passing Cooperative Associations Acts.[55] In Alberta, as has been pointed out,[56] the Cooperative Elevator Company also undertook the function of handling goods by wholesale for local associations under an agreement between the Company and the United Farmers of Alberta.[57] In Saskatchewan, the charter of the Elevator Company empowered it to enter into all business incidental to the "production" as well as to the marketing, storage, etc., of grain.[58] The company has never,

[51]*Charter and By-laws of C.C.W.G., Ltd.*
[52]*Prospectus of C.C.W.G., Ltd.*
[53]*Ibid.*
[54]See below, Chap. x.
[55]*Statutes of Sask.*, 4 Geo. v, c. 62, 1913.
Statutes of Man., 1916. *Statutes of Alberta,* 4 Geo. v, c. 12, 1913.
[56]See above, p. 54.
[57]*A.F.C.E. Co.*, 1914.
[58]This was an amendment to the original bill only added after vigorous opposition.

however, engaged in the cooperative purchase of farm supplies. In 1914 the Central Executive of the Saskatchewan Grain Growers' Association organized a Trading Department to act as a marketing and purchasing agent for local cooperative associations.[59] Since the Association was organized for other purposes than that of trading, its organization is peculiar. Capital is secured by selling to individual members "capital debentures"[60] in denominations of twenty-five dollars each, bearing a minimum income of 6% with a preferred claim on profits.[61] Similar debentures in minimum denominations of one hundred and twenty-five dollars each are sold in local associations. These debentures are sold on terms of five equal annual instalments of twenty-five dollars each, and patronage dividends, which are paid only to affiliated local associations which subscribe for debentures, are applied against any but the initial payment.[62] The policy of the Central Association, however, still lies in the control of the general convention of its members, who may belong to locals organized and incorporated for cooperative trading or to locals which are not incorporated for that purpose.[63]

The Grain Growers' Grain Company established a Cooperative Supplies Department in 1912.[64] Through it, goods were sold at first on a commission and car lot basis, but later at prices established by the Department. The Department combines the functions of wholesaler and mail order house and makes large use of its elevator system for the distribution of supplies. Many local autonomous trading cooperatives patronize this department, but they do not as such share in the control of its policy nor in its profits.

[59]*S.G.G.A.*, 1915. *Report of Coop. Organization Branch, Sask.*, 1914, p. 24. *Statutes of Sask.*, 16 Geo. v, c. 36, 1915.

[60]"Capital debentures" are not liabilities of the Association for a fixed period. They are share capital with a preferred claim on profits.

[61]*The Trading Policy of the S.G.G.A., Ltd.* Pamphlet 13, p. 13.

[62]*Ibid.*, p. 14.

[63]*Ibid.*, pp. 7-8.

[64]*G.G.G. Co.*, 1913, p. 15.

The history of agricultural cooperation has been traced thus in some detail, in order that sufficient background might be provided for critical analysis of cooperative organizations, in order that the dependence of its development of certain primary facts of western agriculture might be clearly seen, and that the study might indicate principles of development as well as of structure and function.

The history recounted may be summarized as that of a series of attempts to bring producers of grain into effective and intelligent relationship to a marketing system which because of the scattered distribution of producers, the elaborate organization of primary and secondary markets, the difficulties of transportation and the complicated inter-relation of primary and ultimate markets, was peculiarly difficult to attain. Because western agriculture has been in the past primarily a one-crop system, interest was concentrated upon the marketing of grain. Progress, therefore, from unorganized discontent to organized agitation for regulation of the trade by legislative enactment, from the demand for legislation to the will to cooperation, from government ownership to cooperative organization, was fairly rapid. The experience gained in dealing with the grain trade was applied in the solution of other marketing and purchasing problems. These other problems emerged from the background as the more pressing difficulties in the marketing of grain were solved, and as the agricultural systems of the west gradually moved from the one crop system of the frontier toward the adoption of mixed farming, in which dairy products, wool and livestock became of importance. Further, a belief in cooperation as such, gained in previous experiments, has brought about cooperative organization, where the pressure of the immediate problem might possibly have not been sufficiently great to effect it.

It remains to discuss in more minute detail the principles of cooperative organization, to institute comparisons between

different types of structure, to examine the legitimate scope of such institutions in the functioning of agricultural organization and to suggest probable lines of future development toward more effective solutions of the problems which arise in the commercializing of modern agriculture.

CHAPTER VII

The Grain Companies: The Results

The foregoing historical chapters will have shown that because of a development following that of agriculture, cooperative organization has not yet achieved unity. It still bears the marks of its irregular growth. Not only are there divisions between different branches of agriculture but there are divisions between regions. On the whole the province of Saskatchewan is distinct from the other two, and in general has a more complete cooperative system. As suggested above[1] the complete dominance of the agricultural interest in the province, and for many years the dominance of the grain growing interest, probably account for its more rapid progress, and for its insistence on the provincial autonomy of all its cooperative institutions. The United Grain Growers, Limited, is active in every cooperative field except creameries and wool, but in almost every field there is competition from other cooperative organizations. Further, there is a difference in organization between the grain companies which have Locals as advisory and voting bodies, and the Saskatchewan Grain Growers' Association, Limited, a central purchasing agent for autonomous, incorporated locals, which may draw dividends from it by purchasing capital debentures but which as commercial organizations have no control over the policy of the central body.[2]

It is in the great grain companies that the cooperative movement of Western Canada centres. There the most substantial achievements have been made, the greatest financial success has been attained, and the experience gained and the model

[1]See above, p. 56.
[2]See above, p. 69.

given for further cooperative enterprises. They have become the largest grain companies in Canada and among the most powerful on the continent.[3] At every stage of the marketing process, country elevators, commission houses, terminal elevators, and export, the farmers' companies are powerful and effective competitors.

Even cooperative companies must, in part, be judged by financial results. It is true that cooperative enterprise may bring other than easily perceived financial benefits, but without financial success everything else is impossible. From its inception, the United Grain Growers, Limited (or the Grain Growers' Grain Co.), has had exceptional financial success. From the first year of operation (with the exception of 1922) it has paid substantial dividends to its shareholders. The same is true of the Saskatchewan Company. The Alberta Company paid dividends during the last two of its four years of operation. The following table shows the dividends of the various companies.

G.G.G.Co.	G.G.G.Co.	Sask. Coop. Cash	Sask. Coop. Stock	A.F.C.E. Co.	U.G.G.	Sask.Coop. Cash	Sask.Coop. Stock
1907.. 7%	1912..10%	6%	$3.50	..	1918..10%	8%	.50
1908..40%	1913..10%	8%	3.00	..	1919.. 6%	8%	.50
1909..30%	1914..10%	8%	3.00	..	1920.. 8%	8%	1.00
1910..15%	1916..10%	8%	2.00	..	1921.. 6%	8%	1.50
1911..10%	1916..10%	8%	4.50	8%	1922..	8%	2.50
	1917..10%	8%	4.50	8%	1923.. 8%	8%	2.00

It is necessary to add that in addition to cash dividends the Saskatchewan Company paid sums on amounts due on subscribed stock at varying rates so that original subscribers who made an initial payment of $7.50 a share, in 1923 had a share of paid up value of $37.50 each.[4] In the above table these sums (in dollars per share) are shown. The figures do not repre-

[3]Individually they operate many more elevators than any other company. Together they control more than 20% (649) of the elevators in the three provinces. The United Grain Growers, Limited, is popularly supposed to be the "largest farmers' company in the world." *A.F.C.E. Co.*, 1917.

[4]*Coop. News*, December, 1923, p. 11.

sent the actual stock dividend paid in the particular year, but the sums which subscribers of previous dates have added to their original subscriptions. Stockholders of date prior to April 1st, 1912, have received in all as stock dividends $28.50, of which $3.00 was declared in 1913, $5.00 in 1920, and varying amounts at other dates. In 1920 and 1922 the General Reserve was divided among the various stockholders as it would have been credited to them had it been paid as a stock dividend as soon as earned. In the above table, the sum of the amounts shown from any particular date to 1922 show the total stock dividends credited to subscribers of that date. The stock dividends paid each year prior to 1920 when the first distribution took place were as follows:

1912	$3.00	1916	$6.00
1913	3.00	1917	2.50
1914	3.00	1918	None
1915	2.00	1919	None

The difference between these figures and those in the table is made up in the 1920 and 1922 distribution.

Dividends on actual investment have therefore been very different from the rates shown. Thus, when in 1916, in addition to a cash dividend of 8% of the paid-up value of share, a dividend of $6.00 a share was added to the paid-up value of shares, those shareholders who had joined during the year and had paid in 15% or $7.50 a share received a total dividend on actual investment of 88%.[5] The original subscribers, on the other hand, received in 1916, 8% on paid-up value of their shares—$1.49 on an original investment of $7.50 and $6.00 a share stock dividend—a total of almost 100% on original investment.[6]

The same reasoning does not apply to the dividends of the other companies. The shareholders of the Grain Growers'

[5] *Sask. Coop.*, 1916.
[6] See above, p. 50.

Grain Company made an initial payment of ten per cent. and periodic payments until the full amount was paid.[7] In early years dividends were devoted to payments on stock subscriptions, but such payments are included in the total rate shown above. At present, shares in the United Grain Growers, Limited, are payable in five instalments of $6 each.[8] Cash dividends therefore represent dividends on investment. The same is true of the Alberta Company. In the formation of that company, the committee of the United Farmers of Alberta accepted all the features of the Saskatchewan plan with the exception of the financial clauses which only provided for an initial payment of 15%.[9] This the committee considered a serious defect, which was only remedied by the provision of working capital through loans guaranteed by the government. The Alberta Act provided for an initial payment of 20% and for regular payments until the entire amount was paid.[10]

Percentage of Net Profit to Capital and Reserves.[11]

G.G.G.Co.	G.G.G.Co.	Sask.Coop.	A.F.C.E.Co.	U.G.G.	Sask.Coop.
1907.. 7	1912..18	30	..	1918..16	6
1908 150	1913..20	56	..	1919.. 4	9
1909..37	1914..16	57	16	1920..17	10
1910..30	1915..19	18	11	1921.. 8	11
1911..12	1916..41	46	90	1922.. 8*	17
	1917..31	21	37	1923..13	10

*Loss.

The accompanying table showing the percentage of net profit to capital and surplus illustrates the financial results of the companies still further. It also illustrates the wide fluctuations common to the grain trade where the quantity and quality of grain to be marketed have a controlling influence on the earnings of the companies. The phenomenal earnings of the

[7] *Prospectus, G.G.G. Co.*

[8] Shares of par value of $25 are sold for $30 since 1911. *G. G. G. Co.*, 1911. Stock Subscription Forms, U. G. G., Ltd.

[9] See *Act of Incorporation.* Sec. 19.
Also correspondence with officials of A.F.C.E. Co.

[10] See above, p. 53.

[11] Compiled from reports of the companies. These figures are only approximate because of differences in accounting periods and methods.

Saskatchewan company are due not merely to the efficient management of that company, but also to the fact that its working capital has been acquired at minimum rates through loans from the Saskatchewan government for the construction of elevators and through government guarantee of its account. Loans have cost the United Grain Growers Ltd. more, since it financed not only itself but also the Alberta Company.[12]

The companies give proof of financial soundness in that they are self-financing. The U. G. G., Ltd., has built up a reserve out of earnings of $1,200,000, equal to about 42% of its paid-up capital,[13] while the Saskatchewan company has a reserve of more than $1,600,000 as compared with a paid-up capital of $1,720,000, and a shareholders' equity of about $44 per share.[14] Of this total amount of capital all except $490,000 has been accumulated out of earnings.[15] It is out of earnings that the companies have financed their extensions. The subsidiaries of the U. G. G., Ltd., notably the export companies, U. G. G. Sawmills, Ltd., and Public Press, Ltd., have called for considerable resources on the part of the parent company. The entry of the Saskatchewan Cooperative into the commission business in 1913,[16] into terminal elevators in 1918,[17] and recently into the export field[18] has also demanded large resources but these have been supplied in part by the Saskatchewan Government. Undoubtedly the aid of the government has been a powerful factor in the success of the Saskatchewan company. In 1916, for example, while the combined capital and surplus amounted to less than a million, the liabilities to the government equalled one million six hundred thousand

[12]See above, p. 53.
[13]*U.G.G., Ltd.*, 1922. The Reserve was reduced by more than $500,000 in 1922.
[14]*Coop. News*, Dec., 1923.
[15]See above, p. 71-2.
[16]*Sask. Coop.*, 1914.
[17]*Coop. News*, Feb., 1919, p. 17.
[18]*Coop. News*, Dec., 1920, p. 11, also Dec., 1923.

dollars.[19]. In 1924 the liability to the Government equals the combined paid up capital and surplus. The elevator business demands a large proportion of fixed capital invested in houses, whereas the amount of grain handled is subject to extreme variations. The crucial problem therefore is that of caring for fixed charges. This problem was made easier for the Cooperative Elevator Company when the governments lent at cost 85 per cent. of the cost of construction of the houses. Further, in the case of the Saskatchewan company (but not in the case of the Alberta company) government guarantee of its bank loans enabled it to borrow working capital from the bank rather than obtain it from its shareholders. The Grain Growers' Co. did not enter the elevator business until after it had established itself in a field where fixed charges were insignificant.

The justification of the action of the Saskatchewan government in thus aiding the cooperative company is to be found in the fact that the political alternative to this project was government ownership of country elevators.

To have made such financial progress in so short a space of time is no mean achievement for the grain companies. It is an achievement which can scarcely be matched in the history of any cooperative movement. In financial strength the cooperative companies are not surpassed by any companies in the Canadian grain trade, unless by some of the larger milling companies.

But financial strength is only one-half of the problem. What have the companies done toward alleviating those conditions in the grain trade which called them into being? Here there are few striking external facts which may be presented and effects are difficult to show. With varying conditions, it is impossible to show the effect upon prices. Some figures could be presented to show that the spread between track and

[19] *Sask. Coop.*, 1916.

street prices, always the cause of complaint,[20] has been gradually reduced. It seems probable that the competition of farmers' companies has contributed to that result but better transportation facilities and the general development of the grain trade have also played a part.[21] Some indications, however, of the reality of such competition can be given. For some years after its inception, the Saskatchewan Cooperative followed the policy of adding two, and in some cases three, cents to the prices of the North West Grain Dealers' Association wired daily to their operators.[22] The companies themselves claim to have greatly improved prices at country points.[23] "It is almost impossible to find any station where the price paid by the private companies is not determined by the price paid at the cooperative elevators. It is hard to say what this gain to the farmer amounts to, but conservative estimates place it at, at least, three cents a bushel."[24] At other times, it is admitted that competition is strenuous. The milling companies, because of advantages they possess in mixing wheat and so "skimming" grades, and because of the high milling value of No. 2 and No. 3 Northern, have in some cases forced the pace.[25] In 1916 the Alberta Company admits that the line elevator companies have been exceeding its 'street' prices, but attributes this to their practice of not paying a uniform price at all points.[26]

[20]*Royal Commission*, 1906. *Sask. Elevator Commission*, 1911.

[21]See explanation of Mr .J. Millar, *Royal Commission*, 1906. *Piper*, loc. cit., pp. 123-8.

[22]*Sask. Coop.*. 1914.

[23]"In spite of the increases ranging from 50% to 150% in all operating costs during the past five years, we have continued to operate our business in almost all lines at the same margin of gross profit. This applies more particularly to the grain end of the business." C. Rice-Jones. *U. G. G., Ltd.*, 1919, p. 60. See also *Sask. Coop.*, 1912.

It should be noted in this connection that grain margins are reckoned not in percentages but in cents per bushel.

[24]*Sask. Coop.*, 1915.

[25]*G. G. G. Co.*, 1913, p. 11. *Sask. Coop.*, 1915.

On milling value of various grades of wheat see Professor R. Harcourt, *The Grade and The Loaf*. *G. G. G.*, June 20, 1917.

[26]*A. F. C. E. Co.*, 1916.

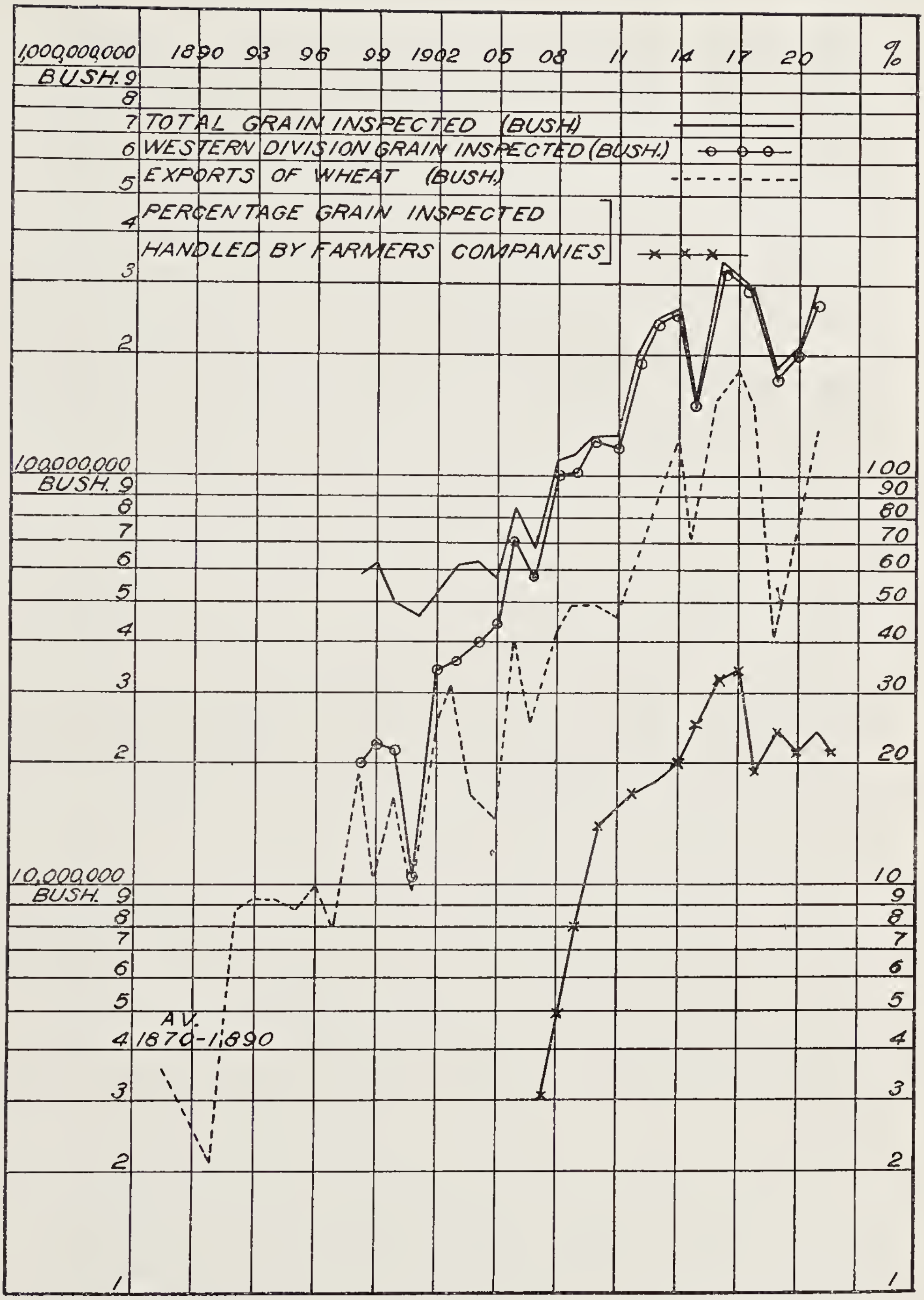

Fig. 3. Quantities of grain inspected and exported, and percentage handled by farmers' companies

'Street' prices or cash prices paid for wheat at the country elevator are not the only important prices, although a good deal of competition centres in them. Grain is sold "on track" on loaded cars, or it may be consigned to a commission firm, or stored and sold at the most favourable time. There has been little complaint in regard to 'track' prices since they approximate closely to the Fort William price minus freight and handling charges.[27] Maximum charges for elevation, loading and storage for 15 days were fixed by the Grain Commission at a cent and three-quarters a bushel.[28] There may be and has been competition below the maximum limits. Competitors of farmers' companies have reduced elevator charges at competitive points and in some cases have forced a reduction on the part of the cooperative company.[29] The Saskatchewan Company maintained a charge of a cent and three-quarters on wheat in spite of the fact that "the charge made by most other companies is a lower one." [30] During the keen competition for the handling of the very small crop of 1914, "line companies" reduced their charge to one cent and in some cases eliminated them altogether.[31] The Cooperative Company has defended its course on the ground that the full charge of a cent and three-quarters did not meet the actual cost of handling, which was calculated for 1913-14 at 2.26 cents per bushel. The loss on elevator handling was recovered out of the one cent selling commission fixed by the Winnipeg Exchange which yielded a profit of .79 cents per bushel.[32] Evidence before the Board of Grain Commissioners showed a cost of over three cents a bushel for some of the line companies.[33] The view of the Cooperative Company has been upheld by the

[27]See above, p. 77.
[28]See, for example, *Report of Board of Grain Commissioners*. 1916, p. 22.
[29]*G. G. G. Co.*, 1913, p. 9.
[30]*The Charge for Handling Wheat*, Leaflet of Sask. Coop. (c. 1916).
[31]*Sask. Coop.*, 1915.
[32]*The Charge for Handling Wheat.*
[33]Ibid.

Saskatchewan Grain Markets Commission, which declared that "if profits are made by a country elevator that charges less than one and three quarter cents per bushel for handling, they are made on a turnover in excess of 100,000 bushels per annum, or on averages in weight, excessive dockage, gains in grade or on excessive spread on street-purchased grain."[34] Loss could also be recovered or reduced by charging the full rates at non-competitive points and lower rates where competition existed. Any such departure from uniformity of charges, however, would be contrary to the Canada Grain Act.[35]

During 1920 and 1921 both cooperative companies asked for an increase in maximum charges for street grain on the ground that the charge of one and three-quarters cents a bushel was inadequate and resulted in the depression of street prices, that is, prices of grain sold outright to the elevator and not subject to storage charges. The Board of Grain Commissioners granted a maximum rate of two and a half cents from September 1st, 1921.[36] Even this rate is still declared inadequate, although private companies are adhering in many cases to the old rate.[37]

[34]*Report of Commission on Grain Markets*, Regina, 1914, p. 28.

[35]*Canada Grain Act*, Sec. 222. That such reductions have been made has been asserted. See *Sask. Coop.*, 1915.

[36]*Coop. News*, Dec., 1921, pp. 5-6.

[37]Cost of Handling Grain, Saskatchewan Cooperative Elevator Co.

	Avg. handl'g per elevator	Cents per bus.		Avg. handl'g per elevator	Cents per bus.
1911-12	74,000	2.80	1916-17	125,000	3.04
1912-13	94,000	2.75	1917-18	87,000	3.59
1913-14	102,000	2.62	1918-19	68,000	4.67
1914-15	66,000	3.54	1919-20	66,000	5.58
1915-16	170,000	2.06	1920-21	82,000	4.93

Until 1921 the maximum charge for handling stored grain was 1¾ cents. Obviously it was necessary for the company to make up the deficiency either in its commission department or in its margins on purchased street grain. In 1921, 69% of its grain was stored and only 31% purchased. Cost of Grain Handling and Storage. *Coop. News*, Feb., 1922; also Jan., 1924.

Of equal importance with prices is the question of services. Grain in Western Canada may be handled in a variety of ways.[38] These various ways have been devised chiefly to guard the farmer against the coercion of monopoly by affording him as many alternative marketing routes as possible. As pointed out in Chapter II, prior to 1900, practically all wheat was sold at "street" prices. The loading platform, the flat warehouse and the commission merchant were provided as an alternative to selling to the elevator company and as an additional element in competition.[39] As an alternative, those provisions furnished effective relief for those whose production was sufficiently large to warrant the loading of a car.[40] They did not, however, relieve the small farmer, and further they provided a less economical alternative to mechanical elevation. Subsequent agitation, therefore, was directed toward obtaining all the benefits of consignment on commission *plus* the advantages of the elevator.[41] The service rendered by the cooperative companies has to a considerable extent fulfilled this need.

With the beginning of the Manitoba government elevator system, special bins for the storage of farmers' grain in 1000 bushel lots (car lots) became important in the grain trade.[42] This demanded more space in the elevator for the same quan-

[38]Grain may be sold "on street" on cash ticket basis or graded storage ticket or special binned and consigned to the commission department of the elevator company, or to an independent firm. It may be loaded through elevator or over the platform and sold "on track" or consigned to commission firm.

[39]See above, p. 12.

[40]The following figures show the proportion of the Saskatchewan crop loaded over the platform: Crop of 1908, 19.36%; crop of 1909, 19.28%; crop of 1910, 12.17%; crop of 1911, 26.53%. *Grain Markets Commission*, p. 28.

In the crop years 1920 and 1921 12.2% and 14.4% of wheat crop was loaded over the platform. *Reports on Grain Trade of Canada*, 1921, 1922.

[41]That is. mechanical elevation, cleaning, preserving the identity of the patron's wheat, and the responsibility of the elevator company for the outturns, loss in transit, etc. See above, p. 41-2.

[42]Special bins had been used in farmers' elevators prior to this. See above, p. 17.

tity of grain, but it allowed the farmer to have the advantages of selling his grain on commission in addition to the advantages of the elevator. Though "special binning" was known before 1911, yet it was a particular feature of the cooperative elevator companies' programs. The Grain Growers' Grain Co. in leasing the Manitoba elevators entered the field under a handicap.[43] Most of the houses had been purchased by the government and had not proper facilities for special binning. The Saskatchewan and Alberta companies, on the other hand, operated houses almost all of which were newly constructed and designed to offer these facilities.[44] That this method of handling wheat is valued by the farmer is indicated by the proportion of special binned grain handled by the farmers' companies. During the four years of its operation, the Alberta company handled more than 50% of its grain in special bins.[45] About two-thirds to three-quarters of the Saskatchewan company's grain was special binned,[46] while special binned grain represented 60 to 65% of the United Grain Growers' grain receipts.[47] From figures previously quoted it will be seen that the amount of grain loaded over the platform has become relatively small, owing partly to the superior facilities of the country elevators, and partly to the high cost of labour.[48] During the later years of the war, when the wheat trade was under control, commission business in wheat and special binning dwindled to very small proportions, since under fixed prices the spread between track and street prices was limited to elevator and storage charges, and the advantages of consignment on commission were small. With the re-

[43]*G. G. G. Co.*, 1913.

[44]*Sask. Coop.*, 1912. *A. F. C. E. Co.*, 1913.

[45]*A. F. C. E. Co.*, 1913-17.

[46]*Sask. Coop.*, 1912-21. Also *Charge for Handling Wheat* cited above.

[47]Information from an interview with Mr. Cartwright of Grain Commission Branch, U.G.G. Ltd.

[48]As shown above, p. 78, the elevator does this work at much less than cost. In 1920-21 about 6% of the grain consigned to the Saskatchewan Cooperative was platform loaded. *Sask. Coop.*, 1921.

sumption of competitive prices, however, these features again became of importance.[48a]

The privilege of special bins is, of course, not confined to the cooperative companies. The same service can be obtained from the ordinary line companies.[49] While it is possible to get it, yet farmers (usually patrons of cooperative companies) say that the privilege is not readily granted at points where there is no cooperative elevator.[50] Such evidence is difficult to evaluate, but it at least shows that some patrons think the service of the cooperative elevators is superior. It is safe to say that few elevator companies are equipped to handle special binned grain in the quantities which have been handled by the cooperative companies.[51]

The cooperative companies also claim that their elevators are equipped with cleaners and that grain is cleaned to grade to a greater extent than in the elevators of other companies.[52] This again was one of the demands of those who carried on the agitation for provincial elevators.[53] The possibility of cleaning wheat to grade protects the farmer against excessive

[48a] See *Coop. News*, Dec., 1922. p. 16.
[49] Cf. Piper. loc. cit., p. 70-1.
[50] Personal interviews.
[51] It was in connection with special binning that an important dispute arose. The Canada Grain Act authorizes the issue of various tickets for grain received: a special bin ticket where the identity of the grain is preserved, the weight at the initial elevator governs and the elevator is responsible for loss in transit; a straight cash ticket (street grain) both weights and grades of the initial elevator governing; a graded storage ticket, grades and weight at initial elevator, identity of the wheat being lost, and the date of sale being set by the farmer. In addition to these, elevator companies issued another ticket popularly known as the hybrid ticket—a storage ticket stamped "Subject to Inspector's Grade and Dockage." This was a combination of a "graded storage and special bin ticket" which permitted the farmer to "special bin" his grain but did not allow him to ship it to an independent commission firm. The use of this hybrid ticket after some controversy was declared illegal by the Board of Grain Commissioners. (See *Reports of Grain Commissioners*). It was looked upon by the cooperative companies as a subterfuge to evade special binning.
[52] *Charge for Handling Wheat.* Piper, loc. cit., p. 75.
[53] *Review of Negotiations*, p. 23; see above, p. 35.

dockage and allows the farmer to use screenings from his grain for feed. It would be difficult to give detailed data on the relative qualities of service in this respect which the various companies are equipped to give. It may be pointed out, however, that the demand for initial elevators, adequately equipped with cleaners, played a considerable part in the inauguration of the cooperative elevator companies and that the filling of that need was one of the advantages which caused the success of the companies. Here again, then, it seems probable that if other companies are now giving service in this respect equal to that of the farmers' companies, it is, in considerable part, the result of the competition which the cooperative companies have created.

It may be noted here, in regard to special binning and other such privileges, that from the point of view of the elevator operator they are not economical. Special binning requires special elevator construction, more space, more time in handling and in consequence higher costs. It does not cheapen the marketing process. The same is true to a certain extent of cleaning in the country elevator, although the freight saved on screening tends to offset the increased cost of operating small cleaners, and cleaning small lots. Opposition of private elevator companies to such privileges is thus easily explained, and has a certain justification behind it. A distinction, useful in ultimately evaluating the functions of cooperative organizations, may, however, be pointed out. There are in every industrial function at least two problems. There is the problem of the organization which will permit the largest quantitative result and the problem of the organization which will ensure the most efficient control. Important as is quantitative result, it is too often assumed as the only criterion of efficiency. The fact must be fairly faced that the highest quantitative result or its converse, cheapness in operation, is not always attainable with the most efficient control. In many important cases the problem of functional control takes pre-

cedence over that of operating efficiency. This principle does not only apply to questions of monopoly, but to all cases where standardization brings lowered operating costs. It may be fairly contended that such facilities as special bins, while increasing the minimum cost of handling grain, enable many producers to place themselves in an effective relationship to a large market, and control their grain until it reaches the terminal elevators.

Mention has been made of the effect of the competition which the grain companies have given to their rivals in the field. It is difficult to show objective proof of the effectiveness of that competition.[54] There are, however, indications which may be set down.

The following table shows the percentage of the total amount of grain inspected in the Western Inspection District (i.e. the amount of grain of the prairie provinces marketed) which was handled by the farmers' companies. It does not include, however, the grain handled by local farmers' elevators.

Percentage of Total Grain Inspected, handled by Farmers' Companies.[55]

1907	3.3%	1915	24.6%
1908	5.1	1916	33.2
1909	7.5	1917	35.2
1910	13.6	1918	19.2
1911	15.9	1919	24.3
1912	16.7	1920	22.3
1913	17.8	1921	23.7
1914	20.3	1922	28.

[54]In some cases men in the grain trade have admitted that the farmers' companies have become "a very considerable factor" in competition and that they have set the pace. Others again contend that it is impossible for the farmers' companies to equal the private concerns in effective service. Officials of the companies, while admitting that competition is keen, especially that of the millers, yet hold that if their companies do not set the standard at all points, they very effectively limit the margins of profit. The refusal of the Board of Grain Commissioners to grant an increase in the tariff of country elevators prejudiced the position of the farmers' companies because they handled a larger proportion of

The above figures show the growth of competitive power on the part of the cooperative companies. Though the cooperative forces are divided into two companies, those companies follow closely similar policies and on the whole stand together as a competitive unit. It is safe to say that two companies, marketing from one-quarter to one-third of the annual crop,[56] are a very powerful factor in determining conditions of sale, when the rest of the field is divided among many elevator companies, commission firms and milling companies. It is true that the ultimate power of the cooperative companies to raise the price of grain or quality of service to the Western farmer must depend upon operation at lower cost (for similar service) than other firms. That they can do this would probably be denied by other members of the grain trade and there would be no way of proving it except by elaborate accounting investigations. The fact of the great increase in the amount of grain handled by the companies,[57] an increase not only absolute but relative, indicates that the companies satisfy an increasing number of patrons, in the matter of prices and service, being at least on an equality with and possibly having an advantage over other companies in this respect.[58] Presumably that growth could

special binned grain than other companies and therefore met higher costs. See *U. G. G., Ltd.*, 1920, pp. 50-1. Also *Free Press*, Sept. 1, 1920. Subsequently in September, 1921, the request was granted. *Coop. News*, Dec., 1921, and Dec., 1922.

[55]Compiled from *Grain Statistics. Canada Year Book* and Annual Reports of Farmers' Companies.

[56]It may be pointed out that during the period of government control of the grain trade, the advantages of cooperative marketing were reduced to a minimum. Conditions of sale were standardized and there was little room for competition. Consequently the percentage which the grain of the cooperative companies bears to the total amount marketed has remained about constant or declined since 1917.

[57]From about 2,000,000 in 1907 to 111,000,000 in 1916 and 68.-800,000 in 1922.

[58]As will be pointed out in greater detail later, the writer's investigations have led him to the conclusion that cooperative sentiment or an abstract faith in cooperation has weighed but little in ultimate decisions in comparison with the steady pressure of marketing problems.

not have taken place had there not been substantial inducements to patrons. In addition, the financial success of the companies[59] is evidence that service has not been given at financial sacrifice and that unless the profits of competing firms have been abnormally large, the operating efficiency of the cooperative concerns, if not equal to that of the best of the private companies, is above the average. During the period of rapid expansion in the grain trade, even a poorly managed company could succeed. The solid financial position of the cooperative companies at present, when the profits in the trade are comparatively meagre, however, shows that their position is one of competitive strength.

When the agitation for cooperative marketing began, the more clear-sighted of the leaders saw that perhaps the greatest difficulty in the circumstances of that time was the ignorance of the farmer as to grain markets.[60] He was at the mercy of the grain dealer because of this lack of knowledge, and even though no illegitimate advantage was taken of his helplessness, the farmer could not act intelligently as a seller of wheat and efficiently market his crop.[61] One of the professed objects of cooperative marketing was to enlighten that ignorance and permit the effective participation of thousands of producers in the marketing process.[62]

On the whole this object has been fulfilled. More than a quarter of the grain growers of Western Canada are members of one or other of the cooperative grain companies.[63] As such

[59]See above, pp. 72-7.

[60]Cf. the preamble of the Sintaluta resolution: "Whereas their ignorance of the details of the grain business," etc. Quoted above, p. 19.

[61]Ibid.

[62]Cooperative marketing "would enable the shareholders to gain an insight into, and a valuable knowledge of, the whole grain business." Ibid.

[63]The agricultural census of 1916 gives the number of occupied farms in the prairie provinces as 218,563. (*Canada Year Book*, 1918, p. 193.) The two companies had in 1919, 55,535 shareholders (Annual Reports). Some of these held shares in both companies but some of the occupied farms market practically no grain.

they are engaged in enterprises at every stage of grain marketing—operation of country elevators, commission sales, terminal elevators, exporting. Through their officers, shareholders are instructed as to the reasons for various trade practices, and further it is easy to discover what those practices are. Demands for reform are no longer based upon mere suspicion or ignorance, and while marked divergences of opinion occur, yet they are more frequently based intelligently upon a well perceived divergence of interest than upon mere general distrust of the grain dealer. An increase in the country elevator tariff was in 1921 favoured by the farmers' organizations[64]—a marked contrast to their attitude in previous years and one which can be safely attributed to the educational work (whether formal or incidental) of the cooperative grain companies.

Not only has cooperative enterprise put agitation for legislative action upon a more solid basis,[65] but it has in addition diminished agitation, partly because abuses have been removed, and partly because there has been a change in method. "On Local Boards men are learning to thresh out their own problems rather than agitate that others may come to their relief." [66] If difficult marketing problems are solved within the companies, their competitive strength is sufficient to force the adoption of similar methods by other grain dealers.

This educational benefit in the marketing of grain is more important than any other. It is the end toward which financial success, competitive strength, etc., are merely means. This is so because of the wide gap between many producers in a

[64]*Free Press*, Sept. 1, 1920.

[65]The implication is not that few or no abuses existed in the early grain trade, when agitation was most active, but that those abuses were far from being clearly understood by farmers whose knowledge of grain marketing ended with the discharge of their grain tanks at the country elevator. They could tell when the shoe pinched but some of their early remedies were analogous to going barefoot.

[66]*Sketch of the History of the Company, Sask. Coop.*, 1915, p. 30.

frontier agricultural region and the ultimate market for wheat in Europe, with the consequent greater difficulty of relating producer to market. This will be dealt with more fully when a theory of agricultural cooperation is set forth in conclusion.[67] For the present it is sufficient to note that the training of the farmer has meant the more complete commercialization of agriculture (closely relating production and market). It has been placed commercially on a par with other industries.[68]

[67]See below, chap. xii.

[68]For a subjective statement of this, cf. the following: "We have destroyed forever the old sneering charge that the farmers cannot act in combination and the often made and more annoying one that even if they could they do not possess the brains necessary to conduct a great commercial undertaking." Report of Board of Directors, *Sask. Coop.*, 1915.

CHAPTER VIII

The Central Companies: their Cooperative Character.

Up to the present little has been said about the cooperative character of the grain companies. It has been assumed that they are cooperative. Yet no charge is more frequently brought against the companies than they are simply money-making corporations masquerading under the cloak of co-operation. The Grain Growers' Grain Company has been characterized as "the biggest fake in Canada". . . . "One of those private companies which is first of all working for themselves (sic) and last of all for the farmers."[1] Others who do not condemn the companies as fakes yet protest that they are not different from other private companies, that they have made huge profits,[2] that they follow the same practices, that they are members of the Grain Exchange and make use of the speculative market.[3] There are in addition many charges brought against the companies which have nothing to do with their cooperative character and which might be brought by opposing interests against any company.[4]

[1]Quoted from the *Neepawa Register*, *G.G.G.*, Mar. 31, 1915.
Cf. quotation from letter of Frank Mason to the *Courier* of Unity, Sask., condemning Farmers' Companies as "big interests", *G.G.G.*, Jan. 17, 1917; also editorial, *Calgary News-Telegram*, Dec. 7, 1916, on the "big merger" of the G. G. G. Co. and A. F. C. E. Co.

[2]Letter of Jno. Campbell, *G.G.G.*, Apr. 14, 1915. Cf. above, pp. 73-5.

[3]McGibbon. loc. cit. *Journal of Political Economy*, Mar., 1912, p. 233.
Debates of House of Commons, 1919, vol. iv, p. 3945, p. 4077: speeches of H. H. Stevens on amendment to the Canada Grain Act.

[4]Cf., for example, letters of J. K. McLennan condemning the attitude of the Grain Growers' Grain Company toward the abolition of the commission rule (see above, p. 31). He asks about "fancy" items of expenditure such as "Organization and Educational Expenses—$10,000." "What about grain profits invested in bank

The criticisms of the companies which are to be taken most seriously, however, are those which deny their cooperative character. Important questions of principle are here raised. What is the essential nature of cooperation? When is a company truly cooperative? To what extent does cooperation permit some degree of variation in organization and practice? The ready answer of many, if not most, to those questions is that the test of cooperative organization is the adoption of the principle and practice of patronage dividends, that is, dividends paid to patrons on the basis of the amount of their sales or purchases.[5] Neither of the grain companies has ever paid patronage dividends. It was the original intention of the founders of the Grain Growers' Grain Company to pay dividends proportionate to the amount of grain consigned to it.[6] That intention, however, was the alleged reason for the expulsion of the company from the Exchange, and in addition it was pointed out that the Manitoba Companies Act did not permit of such a practice.[7] The project was, therefore, formally abandoned. Ample provision was made in the charter of the Saskatchewan Cooperative Elevator Company for the payment of patronage dividend, but no such payments have

stock much higher than market value?" The Company at one time owned a considerable block of stock in the Home Bank of Canada, purchased when the Bank of British North America did not wish to provide further credit. (See *G. G. G. Co.*, 1909.)

P.S.—"I may have something to say later about the puts and calls transactions of the Grain Growers' Grain Co." *Winnipeg Telegram*, Sept. 24, '09. Also quotation from *Price Current* of Chicago. " . . . the Grain Growers' Association of the Canadian North West has defaulted in payment of the interest on its bonds. This is the Association which we referred to in our special editorial in November as being run by men who have practically no experience in the grain business, its immediate department being in charge of a mere boy." Cited *G.G.G.*, Jan. 28, 1914. At this time neither company had issued any bonds.

[5]As examples of this attitude, see letter of Jno. Campbell, *G.G.G.*, Apr. 14, 1915. Also letter of J. B. Musselman, *G.G.G.*, June 16, 1915. Editorials in *Farm and Ranch Review*, Aug. 6,1923, and Sept. 20, 1923; *Saskatchewan Farmer*, Dec., 1923.

[6]See above, p. 21.

[7]See above, p. 24.

been made.[8] The same is true of the Alberta Company whose charter was modelled after the Saskatchewan pattern.[9]

The chief reason alleged for this failure to adopt the patronage dividend is that the many alternative ways of selling grain in Western Canada make it impossible to adopt any just system of paying patronage dividends without adopting an accounting system, elaborate and costly, out of all proportion to the benefit gained.[10] The Grain Growers' Guide, for example, points out in an editorial in 1915, that the Grain Growers' Grain Company is not paying cooperative dividends because of these difficulties. "Even the expert cooperators of the old country, whose advice has been secured on the question, have not been able to advise a solution except by a system of accounting so elaborate that it would eat up the greater part of the profits."[11] It is true that cooperative grain companies in the United States are paying patronage dividends,[12] but only in the case of local farmers' elevators which do not sell grain in terminal markets on commission.[13] The Grain Growers' Grain Company, however, began as a commission firm and only later became an elevator company, and the Saskatchewan Company has found the commission department the main source of its revenue.[14] This combination of country elevator business with commission department at Winnipeg and terminal elevators at the head of the Lakes, makes a great variety in the methods of sale possible. Grain may be purchased "on track" or "to arrive", i.e. by the loaded

[8]*Sask. Coop.*, 1914.
[9]See above, p. 52.
[10]*G.G.G.*, Dec. 10, 1913.
[11]*G.G.G.*, Mar. 31, 1915.
[12]About one-third of the farmers' elevators in Minnesota pay a fixed dividend on stock and distribute the balance on the basis of patronage.

Weld: *Farmers' Elevators in Minnesota*, Agricultural Experiment Station Bulletin, No. 152. St. Paul, 1915, p. 7.
[13]Humphrey and Kerr: *Patronage Dividends in Cooperative Grain Companies*, Bulletin No. 371. U. S. Department of Agriculture, Washington, 1916, pp. 2-3.
[14]See above, p. 79.

car with freight paid by the buyer or by the seller; it may be purchased at the country elevator by cash ticket (street grain), i.e. purchased outright at grade and weight determined by the elevator operator; it may be consigned to the commission department from the loading platform, not entering the elevator at all; it may be similarly consigned from the elevator of another firm; it may have its identity preserved by being "special binned" and be consigned to the commission department or to an outside commission house. It may be stored in the country elevator on a graded storage ticket and sold at the seller's wishes. All these and other combinations are not only possible but are in common use. It is in such a case not possible to arrive at a just patronage dividend by "allotting a certain amount per bushel to the transaction in grain."[15] The same patronage dividend could not equitably be paid on wheat loaded over the platform and sold on a commission of one cent a bushel, on wheat which was cleaned and special binned and sold through commission department at a combined charge of 3½ cents, and on wheat bought on a cash ticket on a margin which varied with the transportation possibilities. Obviously a dividend proportionate to the amount of the consignments would be unjust since some consignments are "turned over" two or three times within the company organization, whereas others are handled but once. A dividend based on the value of the consignment is equally open to the above objection and in addition it ignores established trade practice. Grain is handled upon such a net margin between purchasing and selling price as it is thought will yield sufficient revenue to result in a net profit. Such margins do not fluctuate with the value of grain. They are figured at so many cents per bushel. The revenue obtained by the company from wheat at eighty cents may be precisely the same as that obtained from wheat at three dollars. In other words, the profit of the company is not determined by the value of the grain but by the quantity,

[15]Humphrey and Kerr: loc. cit., p. 6.

and hence quantity rather than value is the equitable basis for a patronage dividend.[16]

The difficulty of the accounting problem of a patronage dividend has been the chief reason given for its non-adoption. The above examination shows that the difficulty is by no means imaginary. The problem is real and it is intricate. Many advocates of the patronage dividend, however, will not admit that the problem is insoluble.[17] Few of them submit definite schemes for distribution of profits. The proposal to pay a dividend of so much per bushel regardless of the character of the consignment[18] has the advantage of simplicity but it is not equitable. A suggestion made by a correspondent in the Grain Growers' Guide deserves more consideration.[19] Net profits, he writes, should be divided on the basis of gross. In the patronage ledger the margin on which the grain is handled should appear with the quantity of the consignment. The quantity multiplied by the margin will give the gross profit which is the value of the patronage. The case, however, is not so simple. The margin is different for each method of handling and for each combination of methods and the expense is different; consequently while the net profits of a department may be divided equitably on the basis of the gross profits of that department, the net profits of the entire company could not be equitably distributed on the basis of gross profits. A more complicated calculation would have to be made. The patronage ledger would have to include besides the amount of grain, separate columns showing the margin for each operation, (a) handling and storage charge, (b) selling commission, (c) surplus of margin on street grain over (a) plus (b) and charges for special services. Strict accuracy would de-

[16] Ibid., p. 6.

[17] "I submit that it is not true that a simple inexpensive system of making cooperative distribution of profits has not been devised." Letter of John Campbell, *G.G.G.*, Apr. 14, 1915. See also letter of J. B. Musselman, *G.G.G.*, June 16, 1915.

[18] Editor's note. Ibid.

[19] Letter of John Campbell, *G.G.G.*, June 21, 1915.

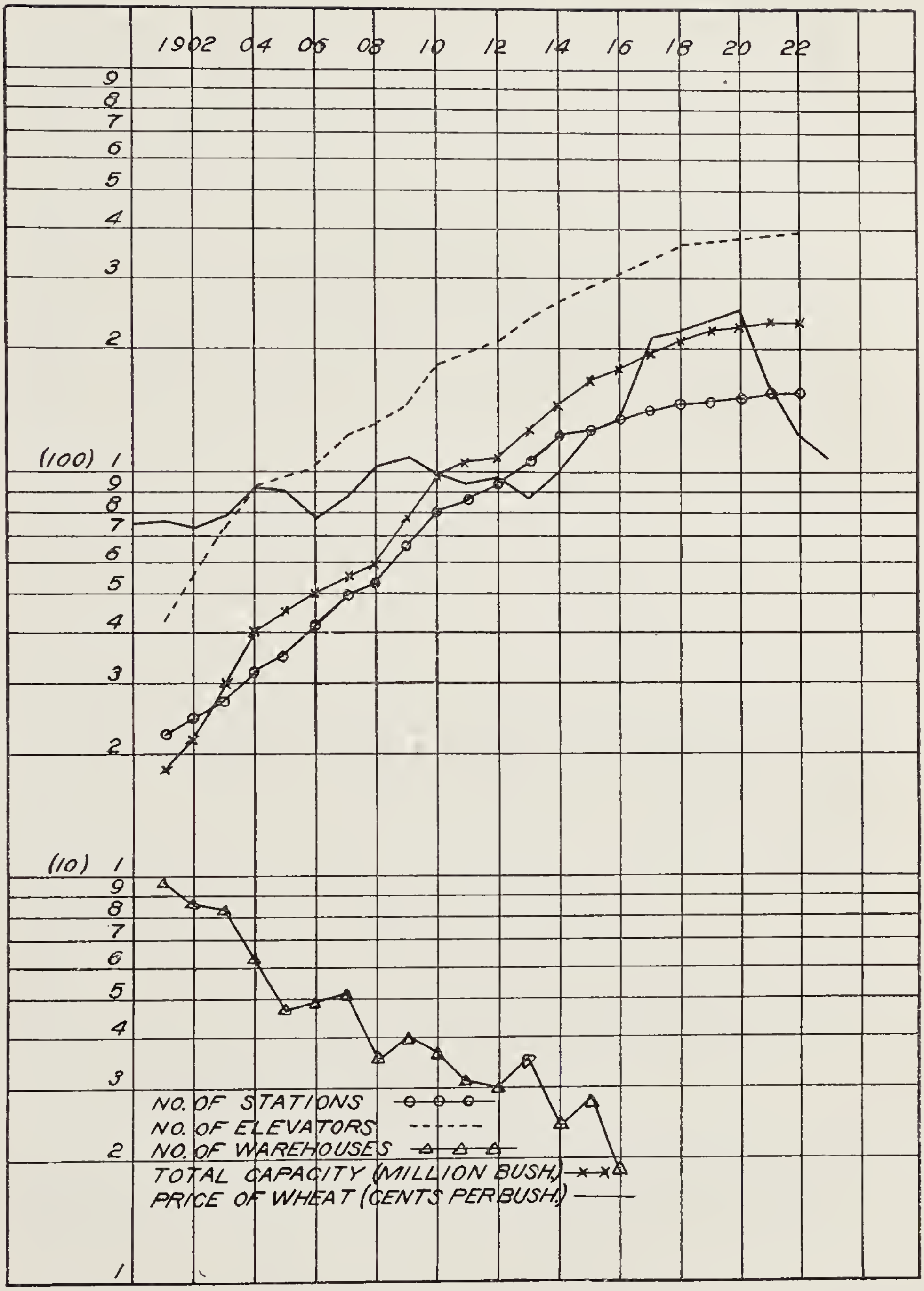

Fig. 4. Growth of Western grain-moving equipment, and trend of price of wheat

mand that net profits should be calculated for each of the above sets of operations (by no means a simple problem in the case of companies operating more than three hundred elevators) and that such net profits should be distributed as a percentage of the product of the amount of grain multiplied by the sum of the operating margins. Thus 5000 bushels of wheat bought on a cash ticket might be sold on a margin of four cents. That margin would cover storage and handling (2½c.), selling commission (1c.), and a slight surplus over and above the sum of those two. (There might be no such surplus). Now if gross profits amounted to $1,000,000 and net profits available for patronage dividends were $50,000, it might or might not be fair to pay 5% on the $20.00 margin of the above transaction. It may be that most of net profits arise from the commission department and that the storage and handling operations are run at a loss.[20] Consequently it would be necessary to ascertain gross and net profits of each operation. If 50% of net profits were available for patronage dividends, then the rate per cent. which half the net profit of one operation bore to the gross profit would give the rate of dividend. That rate would be calculated on the amount of grain multiplied by the operating margin. The dividend for each department would thus have to be determined separately. Moreover, if provision is made, as permitted in the Saskatchewan charter, for the payment of dividends to locals on the basis of net profits, and then for further distribution among patrons, the complexities increase and with them the possibilities of error and injustice. The accounting problem may not be "prohibitive."[21] It is, at least, formidable.

There remains another obstacle to the attainment of a just basis for the distribution of patronage dividends. The farmers' companies, particularly the United Grain Growers, Limited,

[20]This is actually the case, see above, p. 79.
[21]Letter of J. B. Musselman, *G.G.G.*, June 16, 1915.

have engaged extensively in the export of grain.[22] United Grain Growers' Export Co., Inc., a New York company, have returned to the parent company large profits. For the year 1914-15, to take an extreme example, the Export Company showed a net profit of $530,000, a profit which was much more than 100% of the total investment (including a loss of $285,000 written off by the parent company in 1912).[23] This profit was larger than that of all the remaining departments and subsidiaries combined. The important point for the present discussion, however, is that of the 45,000,000 bushels of exported grain upon which this profit was made, between 38 and 40 million bushels was United States grain.[24] In other words the grain handled by the Export Company is not the grain of Canadian farmers but in large part the grain of the farmers of the United States. In this year the greater proportion of profits available for distribution in the parent company was earned by exporting American grain. To attempt to distribute such profits upon the basis of the patronage of Canadian patrons is to attempt to correlate two things which are not connected. The year 1914-15 was abnormal as to profits, but not as to the proportion of Canadian grain

[22]The Canadian subsidiary was organized in 1912. Notice of incorporation, *G.G.G.*, Jan. 3, 1912. *G.G.G. Co.*, 1912. The New York subsidiary was organized in 1917. *G.G.G. Co.*, 1917. "The United Grain Growers' Company conducts an export business second to none on the North American continent." B. W. Snow, *U.G.G., Ltd.*, Orange Judd Farmer, Nov. 29, 1919.

[23]*G.G.G. Co.*, 1915, p. 21.

In considering this topic, the extremely fluctuating character of the export trade must be borne in mind. It is conducted on a contract basis. The price in the American markets, the price in Liverpool and ocean freight rates are the three variable factors. When the margin between the first two is wide enough to cover the third plus certain more or less fixed items of expense, a contract for export is made. In the first year of the war fluctuations of all three factors were very wide and the opportunities for gain or loss enormous.

[24]Ibid.

handled.[25] This situation may appear anomalous to those who approach the subject with certain cooperative principles in mind. Here surely is proof positive that the United Grain Growers, Ltd., is something less than cooperative—"profit-sharing petty capitalism"[26] or "big business." Further consideration shows however that sound business principles justify the practice. Assuming for the moment that entry into the export field is advisable, it may be pointed out that the shifting, fluctuating character of the export market for wheat [27] makes it necessary to buy quickly and in large quantities, usually in one hundred to five hundred thousand bushel lots. This could not be done if the Export Company restricted itself to selling grain which came through the parent company. Purchases are therefore made in the open market from any firm offering [28] and all transactions between the Export Company and the parent company are carried out in the open market. Were it otherwise, the company would be open to charges of manipulation of grain and margins between the two companies.[29]

25 Grain handled by the Export Companies in millions of Bushels:

	Oats.	Wheat.	Corn.	Rye.	Total.	Can. Grain as percentage of total
1914-15....	31.7	13.	.055	.039	45.6	16
1915-16....	60.3	27.2	.214	.110	88.	25
1916-17....	19.7	8.4	..	..	28.1	22

In Sept., 1917, the N. Y. Office was handed over to the Wheat Export Company and the only profit arising was from the investment of capital in Victory Loans. *U.G.G., Ltd.*, 1918, p. 23. For the above figures and much information on the export trade, the writer is indebted to Mr. Mooney of the U.G.G. Export Co., Ltd.

26 Letter of Jno. Campbell, *G.G.G.*, June 2, 1915.

27 This condition is exaggerated because of the fact that the demand for Canadian hard wheat is a joint demand. The strong spring wheats are blended with softer wheats by British millers. Demand depends on the supply of other wheats and for long periods exporters cannot meet European prices. See *Report of Grain Markets Commission,* Sask., 1914. Dondlinger: *Book of Wheat*, passim.

28 A large part of the grain of U.G.G., Ltd., is handled by the Export Co., but not all, according to information given by officials of Company.

29 See criticism directed against the G.G.G. Co. by the Sask. Coop. ". . . the policy of the same company being both exporter

The object of the parent company in entering the export field was to furnish effective competition in a field where the number of competitors was small, and to engage actively in one more step of grain marketing as a farmers' company. At a time when the Export Company had sustained a loss of more than a quarter of a million dollars, the President expressed his opinion of the export business. "Personally I felt at the time of the creation of the Export Company, as I feel yet, that the company—to be a real factor in the grain trade—must have its export connection. In addition, the tendency of the grain trade in Europe is to concentrate in the hands of a few strong firms. I have no hesitation in giving it as my opinion that indirectly our Export Company has made for the farmers very much more than the loss we have sustained."[30] The same view has been expressed by others. It was reported by the Elevator Commission of Saskatchewan that "one exporter . . . gave it as his opinion that the exporting business in Winnipeg had been rendered more difficult and less profitable by the advent of the Grain Growers' Grain Company, which, he said, forced better prices for the farmer."[31]

Consideration of the Export Companies shows better than anything else the extent to which the motive behind cooperative endeavour in Western Canada has been the desire to raise prices and to narrow margins rather than the payment of dividends, even though the dividends on stock have at all times been substantial.[32] To be effective and to survive, rather than to be unspotted but impotent in the pure orthodoxy of the cooperative gospel, would seem to have been the aim of the grain companies.[33]

of grain and grain commission merchant . . . is not a sound policy." *S.G.G.A.*, 1917. Quoted above, p. 55. Both companies are now quite separate from the parent company in accounting and finance. They no longer need guarantees to obtain bank credit.

[30]*G.G.G. Co.*, 1913, pp. 14-5.

[31]*Report of Elevator Commission*, 1910, p. 65.

[32]See above, p. 73.

[33]The producers "know that their own company is big and pow-

Central Companies: their Cooperative Character

The Export Companies[34] are a unique feature of the cooperative grain companies. As mentioned before, they have been the subject of much criticism. It would be extremely difficult to reduce them to the limits of the Rochdale system of cooperation. Without changing the entire organization of the Canadian grain trade they could not be so "cabin'd, cribb'd, confin'd." To sacrifice their undoubted service in an important stage of grain marketing for the sake of a technical defect would be commercial folly. On the other hand, as will be pointed out later, it may well be that when the pioneer work is complete they can be more successfully adapted to the traditional cooperative system, while still retaining the freedom and effectiveness which have given them their value.[35]

In addition, however, to the initial obstruction interposed by the Grain Exchange, the difficulty of calculating patronage dividends on grain handled in a multitude of ways, and the relation of the export companies to the parent organizations, there has been opposition within the companies to the principle of the cooperative dividend. It is argued (and from the foregoing study it will appear quite soundly) that the object of cooperation in the grain trade has been and

erful enough, through the volume of business it handles, to more or less dominate the grain trade of Canada, thereby assuring to the producers a square deal and the full value of the crops they raise." B. W. Snow: *United Grain Growers, Ltd.* Orange Judd Farmer, Nov. 29, 1919.

[34]The Saskatchewan Cooperative Elevator Company organized a subsidiary Export Company incorporated July 29th, 1920. The capital of this company, at first $100,000, was raised to $500,000. *Review of Tenth General Annual Meeting. Coop. News*, Dec., 1920, p. 11. In 1921, the authorized capital was still further increased to $1,000,000. *Coop. News*, Dec., 1921. As explained on p. 57, this company has been reorganized into three subsidiaries: Saskatchewan Cooperative Terminals, Ltd., James Stewart & Co., Ltd., and James Stewart Grain Corporation, Inc., of New York.

[35]The profits of the export companies cannot be distributed on a patronage basis, but they can ultimately be ear-marked as reserves, and as a source of capital. The important point is that in the case of the U.G.G., Ltd., profits outside of these companies have not normally been large and have been devoted to expansion.

should be the increase of the producer's price, brought about by the paring down of the margin absorbed by marketing agencies, and that in seeking this object the farmers' companies benefit every grain producer in the country whether he ships grain to the companies or not and benefit large and small farmer alike. With the adoption of the patronage dividend, there would be greater inducement to solidarity among the members, but savings would then be looked for in the form of profits rather than high prices and unless all farmers became members of the companies a part of the farming community would then be as dependent upon government regulation as they were prior to the creation of the companies.[36] Allied to the above objections to the cooperative dividend is its alleged tendency toward short-sighted and unsound finance. It is very difficult to embody patronage dividends and strong reserves in the same financial structure.[37] Undoubtedly the solid financial strength of the farmers' companies in Western Canada is their most considerable achievement and doubt may be expressed as to whether pure Rochdale cooperation would have achieved it. In the early years, the Grain Growers' Grain Company suffered somewhat from too large dividends being paid upon capital.[38] The danger of cooperative dividends

[36]This view has been expressed by Directors of the U.G.G., Ltd., in conversation with the writer.

A committee appointed to investigate cooperative trading in the U.S. reported: "We found that the payment of a cooperative dividend had a tendency to encourage the locally owned elevators to buy on a very wide margin, as very few of them pay any cooperative dividend to non-shareholders with the result that the profits from the non-shareholders' business are divided up among the shareholders on a pro rata basis, together with the profits from their own grain. . . . A comparion of margins showed that the majority of the points were accustomed to buying grain on a considerably wider margin than our Company has been doing." *U.G.G.*, 1918, p. 52-3.

[37]"Another reason why the patronage dividend has not proved satisfactory to them is that they have, generally speaking, divided up all the profits on a patronage basis and paid them out in cash without providing for any depreciation or reserve fund, with the result that they have not got on a sound financial basis and continually have difficulty in securing finances." Ibid., p. 53.

[38]See above, p. 73. "It would have been better in the past had

would have been much greater and there is a strong probability that cooperative dividends would have made impossible the rapid expansion into all fields which both companies have carried out.[39]

After this prolonged discussion of the cooperative dividend a few conclusions may be noted. The absence of the cooperative dividend has had some share, how much it is difficult to say, in building up the solid financial basis of the companies. The concentration of attention upon the regulation of the prices and services of the trade through the competition of farmers' cooperative companies, was in part caused by the logic of the development of regulation, but in part, also, the obstacles in the way of the establishment of cooperative dividends have turned the interest from profits to service.

The dividend based upon patronage is chiefly useful in inducing producers to join a cooperative organization. In Western Canada the desirability of regulating prices and services in the grain trade provided ample inducement for the growth of the company. The other object of a patronage dividend, to dispose of surpluses in an equitable manner and incidentally provide additional sources of income for members, was not important because expansion of the enterprises has, up to date, absorbed all available capital. On the whole, available facts would seem to show that the absence of patronage dividends, whether or not it vitiates the cooperative basis of the companies, has been a benefit rather than a hindrance to the expansion of the companies.[40]

we paid smaller dividends—strengthening us in this way so that we could depend more on our own resources and less on outside sources, for the money necessary for our business." President's Address, *G.G.G. Co.*, 1919, p. 24.

[39]Cf. the following: If any one "can show us how farmers' companies can be built up without converting profits into capital, let them come along and show us." Letter of W. W. Lindley, *G.G.G.*, Aug. 18, 1915.

[40]In interview, officials of both companies have conceded that the obstacles which the Grain Exchange and the Manitoba Charter put in the way of cooperative dividends were probably a blessing in disguise.

What has been true in the past is not, however, necessarily true in the present. The most flagrant abuses in the grain trade have vanished and more and more the companies are expanding into other fields. Here the inducement of the patronage dividend is needed and the directors of the United Grain Growers have already been empowered to pay dividends on patronage in the Cooperative Supply Department as soon as a satisfactory basis has been agreed upon.[41] The Export Company is the only other department or subsidiary earning sufficiently large profits to make the question of dividends pressing. As pointed out above, no equitable basis for the division of the profits of this Company among patrons could here be found.[42] Adherence to the policy of using the profits of that company for the creation of reserves and of paring down the margins of exporters through competition will probably be found to be the best policy. In regard to the grain departments handling grain until it reaches the terminal elevators, the Grain Exchange still remains an obstacle, though probably not an insurmountable one. The companies would be well advised to consider the changes in accounting, in handling charges and Exchange regulations necessary to the establishment of the cooperative dividend. Over the Exchange and the regulation of the trade, they have no direct control, yet their influence both politically and commercially is of great weight. Every care must be taken, however, to prevent the patronage dividend from supplanting financial stability and the bettering of the marketing system as primary aims of these commercial bodies. In 1923 both companies have wisely given careful consideration to the question of patronage dividends.

The questions still remain. Are these companies cooperat-

[41] *U.G.G., Ltd.*, 1918, p. 60. The action of the Trading Department of the Sask. Grain Growers' Association in paying patronage dividends to affiliated locals has forced attention to this subject. See above, p. 69.

[42] See above, p. 99.

ive? Are they not merely joint stock companies? What is a cooperative organization? "A cooperative organization . . . is not a corporation in which the capital is contributed primarily in order that it may earn a profit; nor one composed of producers and non-producers; nor one in which the producer's product is handled by a corporation for the benefit of the stockholders rather than for that of the members; nor one in which the membership is not under the control of the organization. It is an association of farmers who unite in an effort to handle their common interests through an agency which is controlled by them on the principles of an industrial democracy, and exclusively for their benefit."[43]

Assuming the truth of the above comprehensive definition, it may be fairly argued that the farmers' grain companies of Western Canada, although they exhibit many variations from normal types, are truly cooperative. It is just to say that the object of creation and operation has not been the making of profits for individuals. In so far as the object has been profits, it has been profits for expansion and organization rather than for individual appropriation. The limitation of the amount of holdings to twenty shares in the case of the Saskatchewan company and one hundred shares in the case of United Grain Growers; the replacement of proxy voting by the Annual Meeting of elected delegates and the rule of "one man, one vote" are all substantial safeguards against the danger of the companies falling under the control of non-producers or of a few producers with profits as their aim. The limitation on the amount of investment and of the dividend paid makes of less importance the rate of the dividend on stock. It is quite true that in early years the Grain Growers' Grain Company paid dividends, the amount of which was excessive from the point of view of cooperation, while the

[43]Powell: *Fundamental Principles of Cooperation in Agriculture.* University of California, College of Agriculture, Circular No. 123, p. 2. Cited: Cumberland, *Cooperative Marketing*, Princeton, 1917, p. 11.

various stock dividends of the Saskatchewan company[44] if paid upon large holdings would be of great importance. When it is considered that in 1919 each of the 34,500 shareholders of United Grain Growers, Ltd., held on an average slightly less than three and a half shares of thirty dollars value, and that in 1920 each of the 21,100 shareholders of the Saskatchewan Cooperative slightly more on an average than three shares ranging from thirty-two dollars to seven dollars and a half in paid up value, the regular dividend rates of eight and ten per cent. do not appear to constitute any grave breach of cooperative principles. In 1923 the largest shareholders in these companies would not draw more than $200 in the case of the United Grain Growers, Ltd., and $56.80 in the case of the Saskatchewan Cooperative, in cash dividends. These are not large enough sums to supply the major motive to shareholders who cultivate usually three hundred and twenty acres of land. So long as the need for expansion absorbs profits in large measure, the absence of the patronage dividend does not vitiate the cooperative basis of the companies, but as the field for expansion narrows the payment of the cooperative dividend will become more essential from the standpoint of cooperation.[45] It can scarcely be too strongly urged, however, that in view of the circumstances of the development of the companies and the close relation between that development and particular conditions of industry and trade, any tendency to dismiss summarily these companies because they fail to measure up to the yard-stick of the Rochdale system is to ignore the most distinctive, useful and solid features of the whole development.

[44]See above, pp. 72-4. *Sask. Coop.*, 1920, *Coop. News*, Dec., 1920.

[45]A serious question of doubtful magnitude arises from the circumstance that not all shareholders of the companies are patrons. "As far as we can gather from the records, a large number of our shareholders have never at any time sent grain to the Company." President's Address, *G.G.G. Co.*, 1915, p. 33. How great is this number and how many are owners of farm lands but not operators, are questions to which the writer has found no answer.

It might be added finally that any patronage dividends which might have been declared would have been very small. It has been calculated by the Saskatchewan Cooperative Elevator Company that if all profit had been paid out on the amount of street grain alone handled 1911-1920 it would have amounted to 2¼ cents a bushel. If paid on all grain a dividend of 1.06 cents a bushel might be paid. If an allowance were made for an 8% dividend on capital, however, and fifty per cent. of the remainder transferred to Reserve as required by law, the patronage dividend would amount to 1.12 cents per bushel of street grain, or .5 cents on all grain.[46]

[46]*Coop. News*, May, 1921.

CHAPTER IX

Problems of Organization.

One of the distinctive characteristics of cooperative enterprise in Western Canada is the centralized organization of the large grain companies. This type of organization is practically unknown in the American North West.[1] Its existence in Canada is to be explained partly by the sequence of historical events and partly by the deliberate intent of those who planned cooperative enterprises. As has been explained at length,[2] the Grain Growers' Grain Company began its operations purely as a commission company. It was only with the leasing of the Manitoba Elevators in 1912 that it entered the field of country elevators. In consequence, the centralized form of the company was well established upon the basis of the essential nature of its operations before any motive for decentralization arose. It was not, of course, accidental that the new company started a commission business. The high "mortality" among local farmers' elevators had turned the attention of producers to the fact that only a company centralized in Winnipeg could compete upon an equal basis with powerful line companies which frequently had control of or were controlled by companies in the export field, operating terminal elevators and maintaining commission departments. Cooperative organization in the grain trade has been parallel to the organization of

[1]"Companies operating under the fourth class (in addition to the activities usual to primary elevators these companies have entered the terminal market on the same basis as a commission company, holding membership on Boards of Trade and doing an extensive commission business) are at present confined to the Canadian North West."

Humphrey and Kerr: *Patronage Dividends in Cooperative Grain Companies.* U.S. Department of Agriculture Bulletin 371, p. 3, note.

[2]See above, p. 21.

the most powerful competing companies and has been dictated by the necessity of acquiring competitive strength rather than *a priori* principles of cooperation. Because experiments with local farmers' elevators had largely resulted in failure on account of the competition of companies which had access to the Winnipeg markets, the founders established a cooperative commission business within the existing organization of the grain trade.[3]

When the Saskatchewan Cooperative was projected, the experience of the Grain Growers' Grain Company and of local farmers' elevators was available as a basis for judgment, and the Commission recommended "the creation of a cooperative organization of the farmers on the principle of: 1. The maximum amount of local control consistent with, 2. ownership by the whole body of shareholders and management through a central board of directors."[4] The subsequent act of incorporation was the result of an attempt to secure this end. The distinctive feature in the organization of the company was that of the local units electing delegates to the Annual Meeting. It meant a combining of central management and control with local interest and activity, and the medium through which they were combined was that of representative government. For shareholders' irresponsibility and lack of interest, and a purely nominal annual meeting, the measure substituted an actual meeting of delegates instructed as to the wishes of the local shareholders whom they represent. The outward forms of capitalism were adopted but not of "absentee capitalism."

[3]" . . . those in charge of the business have taken advantage of the regularly organized machinery of the grain trade both of Canada and of the world and have adjusted their business to this machinery and to the conditions which govern the world's trade." Gage: *A Farmers' Grain Trust. American Thresherman,* Jan., 1920. This is in sharp contrast with the endeavours of Minnesota farmers to establish a Farmers' Exchange and the domination of farmers' elevators by the commission merchants of the primary market. *Report of Committee on Cooperative Trading, U.G.G., Ltd.,* 1918, p. 45-6; Weld: *Farmers' Elevators in Minnesota,* p. 11-2.

[4]*Report of the Elevator Commission,* p. 96.

This scheme of representation and control was the most distinctive feature in the organization of the Saskatchewan company. It was adopted by the Alberta company in its beginning in 1913.[5] When the United Grain Growers, Ltd., was formed in 1917, the proxy voting of the Grain Growers' Grain Company gave way to the system of organized Locals and the representative annual meeting.[6] In both companies the functions of Locals are the same. They act as electoral units and as organizations for the discussion of the local affairs of the companies. The Local Board elected by the shareholders of each Local acts in an advisory capacity, informing the managing officials of the companies of local conditions, advising them of defects in service, suggesting improvements and in some cases acting as arbitrator between the management and a shareholder or patron.[7] They do not, however, in either case, exercise any of the functions of management.

The Saskatchewan Cooperative Creameries, Limited,[8] adopted a similar organization even though this company is the result of the amalgamation of a number of independent cooperative creameries, and might have been expected to have retained autonomous Locals.

In contrast to the centralized organization of the grain companies with their local boards, is the organization, in Saskatchewan of cooperative purchasing of which the Trading section of the Saskatchewan Grain Growers' Association is the centre. The Saskatchewan Grain Growers' Association was founded in 1901, as an organization of farmers, designed to concentrate and render effective, demands for the enforcement of the

[5]See above, p. 52.

[6]Proxy voting allowed many of the manoeuvres for control which characterized private companies. See letter stating that an effort is being made to collect proxies in order to dominate the company and remove several directors. *G.G.G.*, Apr. 23, 1913, p. 8.

[7]*Sask. Coop. Elevator Co. Act*, secs. 12-16. *Sask. Coop. Elevator By-laws*, 15. *The Local Board: Its Functions and Influence*, U.G.G.. Ltd., pp. 5-6. U.G.G., Ltd., By-laws, 16-17.

[8]See below, chap. x.

Grain Act and for further regulative legislation. That Association still carries on its work of education and organization. Local associations send delegates to an annual convention at which an executive is elected and at which questions of general policy are decided. It was this organization which set up a Trading Department in 1914, and the trading organization was determined by the earlier form of the association.[9] The Cooperative Associations Act of 1913 provided for the incorporation of local cooperative trading units. The Trading Department of the Provincial Association was designed to act as a wholesale agency for these local units. The local trading bodies are in some cases local Grain Growers' Associations, incorporated as cooperative associations. In other cases they are cooperative associations which have only a business connection with the Saskatchewan Grain Growers' Association, although the membership may be much the same as the local Grain Growers' Association.[10] Local cooperatives may share in the profits of the central trading body by purchasing its "capital debentures", but unless they are local Grain Growers' Associations they have no voice in the control of the central trading body. The policy of that body is determined by the convention of the Association composed of delegates from both trading and non-trading Locals. In 1920 a special Trading Convention was held prior to the General Convention. Delegates to the Trading Convention were elected by five or more subscribers to the debentures of the Trading Department who belong to one Local or by affiliated bodies which had subscribed for capital debentures of $500 value.[11] The Trading Convention is entitled to receive from the secretary a report of the Trading Department, and an audited statement of its financial position.[12] Subject to the approval

[9]See above, p. 68.

[10]Incorporated locals of the S.G.G.A. frequently trade with other organizations such as the U.G.G., Ltd., or regular wholesale houses.

[11]*S.G.G.A.*, 1920, p. 31.

[12]Ibid.

of the Convention (i.e. the general convention) it is "entitled to elect two of the five Directors of the Association as Debenture Holders' Representatives on the Central Board."[13] Recommendations of the Trading Convention may be accepted and agreement may be reached on all matters of policy, but the organization gives no guarantee that trading bodies will control trading policy. The principle of organization is probably more anomalous than the practical results which flow from it.

There are thus two general types of cooperative organization. There is the centralized company with its local organizations of shareholders acting as advisory and electoral units. On the other hand there is the affiliation of local autonomous cooperative associations with a central purchasing association. Both types have, to some extent, an historical explanation. The latter, however, has also been modelled after the cooperative organizations of other countries and there has been more attention paid to cooperative principle and less exclusive attention to immediate business problems. It attempts to gain local initiative and enterprise, and has considerable educational value for local participants. It labours, however, under certain disadvantages. The type of organization has been evolved in countries with a dense and stable population made up of small proprietors, or tenants with either legal or customary hold upon their land. Saskatchewan has neither of these. Population is scattered. Farm lands change owners frequently and, where tenantry prevails, it is of a temporary and shifting form. The membership of local associations is therefore extremely variable, and the danger exists that instead of Locals deriving stability and continuity of policy from the central organization, the central body will forfeit some of its stability to the fluctuating character of its Locals.

The decentralized form of organization, much more common

[13]Ibid.

in Europe and the United States, has not in Western Canada achieved the success attained by the centralized companies. The mistakes and deficiencies of local management have taken heavy toll from the Local Associations. It would not be fair, however, to impute its lack of assured success to the form of organization, since it has only been tried in the difficult field of cooperative purchasing, in the consideration of which other aspects of the subject will be reviewed.

It should be noted that the whole subject has an important bearing on the question of the unification of cooperative organization in Western Canada. The cleavage in the systems of organization is one of the most difficult obstacles to overcome.

CHAPTER X

Cooperative Marketing—Livestock, Creameries, and Wool.

The brief history of development in the field of livestock marketing has already been set forth.[1] From that sketch it will be seen that there have been two marketing problems to be solved. The first has been the problem of placing the producer in direct contact with his market. In that there have been three steps, (a) the entry of farmers' companies into the livestock commission business, (b) the organization of local shipping associations, and (c) the operation of domestic and export "pools."

In regard to the work of the Livestock Department of the United Grain Growers, Limited, it is important to point out that this department does not directly influence the spread between the producers' price and the price paid by the packers or buyers on the Winnipeg market. It is purely a commission firm and charges the standard commissions decided upon by the Winnipeg Livestock Exchange.[2] In this respect its position in the Livestock Exchange is very similar to that of the original Grain Growers' Grain Company in the Winnipeg Grain Exchange. Its competition must be on the basis of service, not of charges. The rapid growth of the commission business indicates the progress made.[3] The company

[1]See above, p. 57.

[2]Leaflet: *Insurance and Commission Rates.* Livestock Department, *U.G.G., Ltd.*

[3]Cars of stock handled by the farmers' companies:

	A.F.C.E. Co.	*U.G.G.*	*G.G.G. Co.*
1914	141	. . . .	. . . .
1915	. . . .	. .	. . . .
1916	628	. . . .	196
1917	1242	. . . .	1217
1918	. . . .	4402	. . . .
1919	. . . .	5257	. . . .
1920	. . . .	5654	. . . .
1921	. . . .	6065	. . . .
1922	. . . .	5254	. . . .
1923		6850	. . . .

stands at the head of each of the five markets in the number of cars of stock handled. Profits have not been large. The Alberta company earned a profit on livestock each year until 1917, when its buying operations resulted in a loss.[4] The other company operated its department at a loss during the first two years but since then has earned moderate profits.[5]

The companies have performed three types of services. They have given farmers access to the livestock markets through a farmers' company. "This policy is to be commended, not so much for the possible immediate saving of small sums on current transactions as for the assurance it will give that at this stage of the marketing process the interests of the stock raiser will be fully safeguarded and advanced."[6] It has increased the knowledge of the producer in regard to marketing, extended his control over the marketing process, and has given security to him in dealing with commission agents. This is the service which the commission selling of the Grain Growers' Grain Co. performed in the grain trade.

In addition, the department has done "considerable educational work in the way of showing farmers how to form Livestock Shipping Associations."[7] On account of the relatively minor place which stockraising has occupied until recently in the agriculture of a large part of Western Canada, comparatively few farmers can consign a full carload of stock to a central market. In order to broaden its field for expansion and also to be in a position to offer service additional to that of the ordinary commission firm, the Livestock Department of the United Grain Growers, Limited, has undertaken special propaganda for the encouragement of cooperative shipments.[8] The cooperative association may, of course, ship to any com-

[4] Annual Reports for respective years. See above, p. 59.
[5] *U.G.G., Ltd.*, 1916-1923.
[6] *Final Report, Livestock Commission of Sask.*, p. 23.
[7] *G.G.G. Co., Ltd.*, 1916, p. 18.
[8] See Leaflets and Advertisements of the Department. For much information on these matters the writer is indebted to Mr. Freer of the Livestock Department, U.G.G., Ltd.

mission firm and the consignment will be handled at standard rates, but the United Grain Growers, Limited, puts forward special efforts to build up the cooperative business since it must draw its chief patronage from "cooperators." The fact that at present (1924) practically all commission firms advertise for cooperative shipments may be fairly credited to the company's pioneer efforts. In addition, as has been mentioned before,[9] the company, by appointing a shipping agent at local centres to arrange and assemble cooperative shipments, removed the need for the formal organization of an association, and in many cases effects a marketing economy by using its elevator operators for such service.

The third and by no means the least service which is performed by the cooperative commission agency is in the purchase of stockers and feeders. In 1917 one-quarter of the cars handled were stockers and feeders returned to western farmers.[10] Even more than in selling, assurance of service in the interests of the stock raiser is here necessary to the best results and the cooperative commission agency performs an important function. In conclusion, it may be repeated that, except for the farmer who produces on a large enough scale to load his own car, the presence of the cooperative company at the central market in itself does not shorten the marketing process. The middleman is not "eliminated", but an effective element of regulation and control is introduced.

As has already been mentioned,[11] the livestock shipping

[9]See above, p. 61.

[10]*U.G.G. Ltd.*. 1917, p. 11.

Under the encouragement of the Dominion Livestock Branch which undertook in 1916 to aid farmers in the purchase of stockers and feeders an important change was brought about in that movement. In 1915 80% of the stockers and feeders on the Winnipeg market were shipped south and 17% west. In 1916, 40% went south and 57% west. In 1917, 30% went south and 48% west. During the three years the total number shipped increased 50%. *Annual Year Book of Figures*, Union Stock Yards, St. Boniface, 1917, p. 27.

[11]See above, p. 60.

association is a simple organization device for enabling a number of farmers to ship stock to a central market and gain the advantages of sale through a commission agent. The problems of organization and accounting are few and simple. The association may become an incorporated cooperative society with authorized capital stock or it may be unincorporated with an agreement among members, an entrance fee, a commission for the manager, and a small charge per hundred pounds of stock shipped to cover loss and administration expenses. Usually the association is run on a non-profit basis with an exceedingly simple organization. The expenses of a shipment are "pro-rated" against the receipts for the stock of each patron and deducted therefrom.[12]

The problem which is attacked by the livestock shipping association is the problem of the itinerant country drover. Local demand in Western Canada can absorb but very little of the total production of stock. Stock must be shipped to a central market. The farmer who produces on a large scale can make his own shipments. Normally for the small farmer there is but one method of selling stock, that is, to a local buyer who ships to a central market.[13] The local buyer assembles shipments and offers a definite price for stock. Often the farmer prefers that service rather than the commission sale of the central market.[14] He would rather sell his "lot of steers" at so much per head and have nothing further to do with the selling process. The cooperative association

[12]W. W. Thompson: *Cooperative Livestock Marketing*, Department of Agriculture, Sask., 1911.
Doty and Hall: *Cooperative Livestock Shipping Associations.* Farmers' Bulletin 718, U.S. Department of Agriculture, 1916.

[13]"Five courses are open to the farmer who has fat stock to sell: First, he may kill and dress his own stock and sell direct to the consumers or the country store; second, he may sell to local butchers; third, to local stock shipper; fourth, he can ship his own stock; and fifth, he can ship with his neighbors through a cooperative shipping association." K. F. Warner: *Marketing of Livestock Products in Minnesota;* in Weld and others: *Studies in the Marketing of Farm Products.* Minneapolis, 1915, p. 15.

[14]See Alberta experience, p. 59.

which is designed to supplant the middleman (in this case, the local buyer) is based upon either or both of the following assumptions: first, that the functions of the drover can be better performed by the farmers themselves, i.e., that this stage of marketing may be eliminated; secondly, that there are too many local buyers.[15] Both of these assumptions have some truth in them as is shown by the success of shipping associations. Outside of the possibilities of exorbitant charges and price agreements, the local buyer is apt to be an inefficient agent. He rarely buys on grade, his business methods may be haphazard and even though he does not exact more than a reasonable charge for his services, he tends to obscure the decision which the market registers in regard to the product of any particular seller. Where, as in many localities, there are too many buyers, an extra burden is placed upon marketing to provide remuneration for the buyers. Competition may eliminate the poor buyers, if keen enough, but for long periods they may remain a charge upon the industry.

Not only the increase in the number of cooperative shipments but also the financial results indicate that to some extent the assumptions upon which the movement was based have been correct. In Saskatchewan in 1915-16 six associations marketing 1,750,000 pounds made an estimated saving of 8/9 cents a pound or more than $16,000.[16] In 1917-18, eleven associations shipping 3,600,000 pounds made an estimated saving of $36,300, slightly less than one cent a pound.[17] The next year eleven associations saved more than 7/10 cents per pound.[18] While in all cases the savings have not been so substantial, yet the possibility of saving exists.

The financial results are not however the most important.

[15]Weld: *Marketing of Farm Products*, p. 437.

[16]*Report of Cooperative Organization Branch*, Dept. of Agriculture, Sask., 1916, p. 18.

[17]*Report of Cooperative Organization Branch*, Dept. of Agriculture, Sask., 1918, p. 26.

[18]*Report of Cooperative Organization Branch*, Dept. of Agriculture, Sask., 1919, p. 27.

The cooperative organization makes it necessary that returns for each animal should be kept separate if an equitable settlement is to be made.[19] An important consequence of this is that the producer can clearly discern the comparative values which a central market has put upon different grades of stock, and the effect upon methods of feeding and breeding will probably be much greater than that of a flood of educational literature not supported by such obvious market facts. The system of marketing through the drover almost obliterates such accurate market distinctions. The cooperative shipping association forces the farmer to produce for a market, to produce what he can sell, not simply to sell what he produces.

The function of the cooperative pool arises from important commercial facts regarding the marketing of livestock, particularly cattle. There is no provision for future trading in livestock, or for contract grades. Hence the scope of trading is restricted and trading on several markets by a single dealer is less usual. Further, the cost of feeding cattle puts a premium on immediate sale. Wheat to the value of a western steer can be stored at a total cost of between twenty-five and fifty cents a month. As a result of these factors the variations in the prices of different grades of cattle in different markets are much wider than in the case of grain. Much selection and discrimination is needed on the part of the seller in order to effect the most profitable sale. To this the commission method of sale is ill adapted. The commission merchant has no discretion outside of the market to which the shipment has been consigned. Out of that set of circumstances have grown up the functions of the speculator and "scalper" who buy up cattle which are offered at a time when the market is glutted with particular grades in the hope of selling on other markets where different conditions rule. The shipments under the Cooperative Sale or "Pool" plan may be sold on any market and at any time at the discretion of the management of the

[19] Doty and Hall, loc. cit., p. 8.

Pool. The producer not only extends his control to the primary market but endeavours to improve that market by making use of alternative markets. As a member of a livestock shipping association only the nearest market is open to him. As a member of a "Pool" all markets are available, and as the Winnipeg or Calgary market is preferable to the local market so is the choice of all markets preferable to any single market. This is more important because the bulk of western cattle are sold in the last three months of the year and because a considerable proportion of these are shipped from Western to Eastern markets. They can be shipped more economically if there is a sufficient volume, as in the case of a pool, to permit judicious selection of shipments to various markets according to grade.

The Export Pool permits the producer to enter the European market, and gives to him the decision of that market on the quality of his product. The Export Pool is not yet a demonstrated success financially, but it will undoubtedly be a large factor in building up the Canadian beef industry if it can get access to the British market on profitable terms.

The second problem of livestock marketing has been that of the reorganization of market regions and the establishment of new markets in order to care for the changing needs of an expanding industry. The main points of this problem have already been outlined.[20] The Winnipeg market has not the same advantages for livestock which it has for grain, and the additional fact of the importance of the stocker and feeder movement made it advisable to establish the Moose Jaw and Prince Albert markets. In the organization of those markets, the government continued the policy of previous enterprises of working within the existing trade machinery. The companies operate under the standard requirements of the Federal Livestock Branch.[21] The only point at which they differ

[20]See above, p. 61.

[21]*Statutes of Canada*, 7-8 Geo. v, c. 32.

from other public stockyards is that by law a majority of the shares of stock must be held by agriculturists. By this means the government has ensured that producers shall have a dominant interest in those markets and shall control (in so far as they are not regulated by law) their policies.

The results of these enterprises are not yet discernible.[22] They will only appear in time and will be seen in the condition of the industry itself rather than in financial form.

In the field of livestock marketing as in that of grain marketing the most distinctive feature of Canadian development has been the entry of cooperative enterprise into the central markets, in the form of commission agents of public market companies and of the "pool."[23] The shipping association is well known in the United States but the entry into primary, secondary and export markets is distinctive of the Canadian industry. This assumption of functions on the part of the producer (usually called the elimination of the middleman) is economically justified because it permits the producer to become a better producer, enabling him to produce the quantity and the quality required, at the time when required.[24] This has been the result of development similar to that of the grain business, the cooperative commission business having started and still remaining a department of a company dealing mainly in grain.

Though the operation of creameries may be correctly termed a manufacturing enterprise, yet from the point of view of the agriculturist the creamery problem is essentially a marketing

[22]The Southern Company began operations on Nov. 1st, 1919, and during 1920 handled 3,434 cars of stock valued at $5,792,000. More than half the cattle came from Alberta and about 11% were bought as stockers and feeders.

The Northern Company began business in September, 1919, and during 1920 handled stock to the value of $886,000. *Free Press*, Jan. 8, 1921.

[23]Cf. Weld: *Marketing of Farm Products*, p. 419.

[24]This must be the ultimate justification of all cooperative marketing.

problem. Manufacture is incidental to marketing. The price of cream represents so large a proportion of the cost of butter and the expenses of manufacturing so small a proportion that the manufacturing process is absorbed in the market organization.[25] The Saskatchewan Creameries are therefore considered from the point of view of marketing organization.

The following table shows the output of creameries since 1906:

Output of Creameries

	(a) Coop. (000 lbs.)	(b) Private (000 lbs.)	(c) Total (000 lbs.)	Proportion of (a) to (c) %
1906	114	18	132	89
1907	66	22	88	74
1908	242	46	288	84
1909	356	60	416	86
1910	508	88	596	85
1911	768	163	931	82
1912	737	272	1010	70
1913	863	452	1415	68
1914	1437	1280	2716	53
1915	2012	1845	3858	53
1916	2538	1767	4305	59
1917	2482	1726	4209	59
1918	2871	2138	5009	57
1919	3250	3376	6623	49
1920	2828	3811	6639	43
1921	3000	4293	7293	38
1922	3750	5150	8900	42

The above record would seem to indicate that the cooperative creameries were not holding their position relative to that of private plants. Yet when the output of the entire industry has increased so largely, the changing proportion has less significance. The cooperative creameries of the early years were artificially encouraged so that real competition is of recent origin.

During the last few years the company has greatly enlarged its sales of whole milk, cream, ice cream and eggs.

[25]Cf. for example E. Dana Durand and Frank Robotka: *Cooperative Creameries and Cheese Factories in Minnesota*, 1914, Minnesota Bulletin 166, Table ix, p. 19. Approximately 90% of the total receipts are paid to patrons of cooperative creameries and about 88% in the case of proprietary concerns.

Financial records for the individual creameries prior to 1917 are not available. Financial success however is indicated by the fact that in the case of government loans to cooperative creameries "all amounts of principal and interest have in every case been promptly paid when due."[26]

The amalgamated company paid in 1918, 1919, and 1920 dividends of eight per cent. on capital stock. Patronage dividends of one cent per pound of butter fat in 1918, and two cents in 1919, were also paid in addition to dividends on eggs and poultry. Further, the principle of paying a bonus to members of the staff at the same rate as that of the dividend on capital was adopted.[27] In 1921 in the face of an operating deficit no dividend was paid, and financial results more recently have not been satisfactory.

The company follows the policy of paying the market price for supplies and has not attempted any competitive raising of prices. Competition with private companies is keen but on an entirely fair basis.[28]

Cooperative development in the dairy industry in Saskatchewan has been closely related to endeavours made to improve methods of production. In 1912 government grading of dairy products was instituted.[29] At present about ninety per cent. of the creamery output is graded.[30] The results of government grading afford significant evidence of the quality of the product of the cooperative creameries. In 1918, of thirty-one creameries having butter graded, twelve were privately owned and nineteen were cooperative. The average score for the product of the various creameries varied from 95.19 to 92.01. The average for all was 94.07, and the median (for creameries, not for pounds of product) was 94.19. With scores above the

[26] *Report of Dairy Commissioner*, 1919, p. 19.
[27] Ibid., 1918, p. 12; 1920, p. 17.
[28] Information of this kind has been largely derived from personal interviews.
[29] *Statutes of Saskatchewan*, 2 Geo. v, 1912, c. 42.
[30] *Report of Dairy Commissioner*, 1923, p. 16.

median there were 12 cooperative creameries with a graded product of 27,200 boxes (56's) and four privately owned creameries with a graded product of 11,600 boxes. There were seven cooperative with a graded product of 7,700 boxes and eight privately owned creameries with a graded product of 9,700 boxes with average scores below the median.[30a] These figures indicate that on the whole the product of the cooperative creameries was of higher standard than that of the privately owned concerns. To some extent it is probably attributable to the operation of the creameries up to 1917 under the Dairy Commissioner. In part it may fairly be attributed to the success of cooperative enterprise in improving quality. In 1922 the company made profitable shipments to the British market and has for some time been shipping to Asiatic cities.

The Saskatchewan Cooperative Creameries, Limited, also operates cold storage warehouses at seven points. These are not only used to care for the products of the company but are available to farmers and townspeople alike for "the storage of fresh meat, vegetables, fruit and other perishable commodities."[31] The existence of these warehouses constitutes a check upon dealers in perishable produce.

As mentioned before, there is not sufficient data to appraise adequately the results of the cooperative creameries. The dairy industry has for long been struggling for existence in competition with grain growing, and for most of that period the cooperative creameries have been financially successful. The most marked success has been in the quality of the product and with the amalgamation the possibility of greatly increasing the market for a graded and standardized product was created. That market is expanding but the results are not yet fully discernible. It is plain, however, that here as in the case of livestock, in the problem of educating the producer to the

[30a] Ibid., 1919, p. 18.

[31] *Annual Report of Sask. Coop. Creameries, Ltd.*, 1919.

standards of a wider market, cooperative organization is of the first importance.

The marketing problems connected with wool are similar to those of the other products. As in the case of grain, the ultimate market is far from the producing region. In contrast, however, the Canadian wool trade is comparatively small and not highly organized. The problem of the country buyer of wool is similar to that of the buyer of livestock, while grading is equally important in the marketing of wool and of dairy products.

The domestic wool trade of the United States, of which the Canadian wool trade is a part, presents peculiar marketing problems. The supply is "very promiscuous and uneven in its character",[32] and in addition it is drawn from varying sources, from the large flocks of Montana and in Canada from Alberta, and on the other hand from the small flocks of the diversified farming areas. In the case of the large producers, the product is sold direct to Eastern merchants or occasionally through a commission house. The small producer normally sells his product to a local merchant, sometimes to a local wool merchant, often to a merchant handling various lines of farm produce or frequently to a local general store.[33] The latter has been typical of a large proportion of the districts of Western Canada. Most of the wool has been sold in ungraded lots to country merchants and grading not done until the wool finally reached the Boston or Philadelphia markets.[34] Except occasionally in Alberta, the sale of wool to the representatives of an eastern buyer has not been of importance in Canada. Because of the promiscuous character of domestic wool, grading has been an important and difficult function, very much more complicated than the grading of either grain or livestock.

[32]Cherington: *The Wool Industry*, N.Y., 1916, p. 60.
[33]Ibid., p. 61.
[34]Ibid., p. 61.

The manner in which cooperative marketing of wool was brought about in Western Canada has already been described.[35] It is worthy of note that it arose as a result of, or as a necessary adjunct to, government grading. The importance of this policy of the government was not so much in the superiority of government grading, as in the fact that the product was graded early in the marketing process. That could not be accomplished without some cooperation among small and scattered producers. Wool had to be assembled for grading and if grading was to be of direct value to the producer, it must be done before the ownership of the product had passed from the producer to the middleman.

For these reasons, the wool was assembled in Alberta by sheep breeders' and wool growers' associations.[36] In Saskatchewan and Manitoba, because of the undeveloped state of the industry, the Departments of Agriculture undertook this work.[37] The wool was sold in some cases to wool merchants within the province,[38] and in some cases shipped directly to the Boston market and sold there.[39]

The increased use of this method of marketing is shown by the figures for Saskatchewan. In 1914, 179 consignments amounting to 70,000 pounds were handled in this way. In 1919, 1105 consignments of 553,000 pounds reached the market by this route.[40] For more recent years the following table shows the proportion of Canadian wool marketed through the cooperative company.[41]

	Estimated Wool Clip Canada	Receipts C.C.W.G., Ltd.
1918	20,000,000 lbs.	4,500,000 lbs.
1919	20,000,000 lbs.	3,800,000 lbs.
1920	24,000,000 lbs.	4,600,000 lbs.
1921	21,251.000 lbs.	3,900,000 lbs.
1922	18,523,000 lbs.	2.908,000 lbs.
1923	15,539,416 lbs.	2,843,000 lbs.

[35] See above, p. 67.

[36] There are reports of five of these associations in the *Agricultural Gazette*, 1917, p. 871.

[37] The South Saskatchewan Wool Growers' Association mar-

From the above figures it appears that about 20% of the annual wool clip is being marketed cooperatively. When it is considered that the estimated wool clip is calculated on the number of sheep, it will be clear that a considerable proportion of the amount given, particularly in the eastern provinces, represents the product of farmers keeping very few sheep, marketing the product through local produce dealers or selling directly to small local mills. In 1920 out of a clip of 2,492,256 lbs. in Alberta, 2,150,000 lbs. were sold cooperatively; in Saskatchewan 865,000 lbs. of a clip of 1,046,067 were handled by the cooperative company; while in Manitoba 371,000 lbs. out of 1,018,664 passed through the same marketing channels.

The wool has been handled at cost and the expenses deducted from the final payment to the producer. Thus in 1919 in Saskatchewan in addition to the freight to Regina, expenses of 4 7/10 cents per pound were deducted from the price received for the wool at Toronto.[42] In 1923, the handling cost of the company was 2¼ cents a pound, a very low figure.

In every case, it is claimed that higher prices are received through cooperative marketing. In some cases a difference of more than ten cents a pound has been claimed. In these cases, however, a part of the difference probably arises from the time of the sales. It is quite certain, however, that the financial inducements have been considerable even for those who have large consignments.

The more important result is to be found in the system of grading. Supplemented by educational literature,[43] selling on

keted 165,000 pounds in 1917. *Agricultural Gazette*, 1917, p. 870.
[38]For example, in Alberta. *Agricultural Gazette*, 1915, p. 813.
[39]*Cooperative Organization Branch*, 1914, p. 19.
[40]*Cooperative Organization Branch*, 1920, p. 31.
[41]*Bulletin of Agricultural Statistics*, February, 1922.
Annual Reports, Canadian Cooperative Wool Growers, Ltd.
[42]*Cooperative Organization Branch*, 1920, p. 31.
[43]*Suggestions for Handling the* 1918 *Wool Clip.* Department of Agriculture, Saskatchewan, 1918.

grade has brought more efficient methods of preparing wool for the market. Sufficient time has not elapsed to note any decisive change in the type of sheep owned and bred, but considerable improvement has been shown in the immediate preparation of fleeces for market. Greater care in feeding, sheltering and clipping sheep, better sorting and packing of wool are shown in the smaller proportion of the clip of later years graded as "seedy", "sisal", "damaged", etc., and the larger proportion of "tags."[44]

The result of these experiments, aided by the government of the prairie provinces, and of other experiments in Eastern Canada, has been the formation of the Canadian Cooperative Wool Growers, Limited, already described.

The following brief record of the company will indicate its extent and progress:

	Wool handled.	Net profits.	Dividends.	Supplies.
1918	4,500,000 lbs.	$58,700	6%	$ 3,623
1919	3,800,000 lbs.	33,500	8%	14,190
1920	4,600,000 lbs.	14,812	8%	29,815
1921	3,900,000 lbs.	23,690	8%	18,354
1922	3,200,000 lbs.	22,225	8%	10,732
1923	2,900,000 lbs.	8,507	8%	21,000

With a paid up capital of $82,028, the company has built up a reserve of $22,225 and has followed a safe conservative policy in respect to inventories and doubtful accounts. Each year a small rebate has been paid to patrons.

In Alberta, which supplies more than 40% of the total receipts, the wool is assembled through several sheep breeders' and wool growers' associations. Practically all of the range wool comes from such associations and from a few large ranching companies. In Saskatchewan and Manitoba, the

[44] "Sisal"—wool in which there are fibres of binder twine used in tying. Paper twine supplied free by the Department is substituted. The larger proportion of "tags" is due to the fact that they are separated and so do not injure the grades of other wool. See *Cooperative Organization Branch*, 1914-1920.

company maintains branch warehouses where the wool is assembled.[45]

Prior to the establishment of this company, practically the whole Canadian clip was sent to the Boston market, whence Canadian mills (except small local concerns) imported their raw material. In 1920, 45% of the company's sales were made to Canadian buyers. This change the company imputes to the improvement in the quality and preparation of the wool. "Much confidence has been expressed in our wools by Canadian mills, who previously avoided the Canadian product."[46] "In the past, Canadian wool did not have an enviable reputation but now it has found such favour that mills are repeating their orders. When wool growers realize that their consignments are sold on their merits, that quality, strength of staple and freedom from burrs and other deleterious matter determine the value, there is every inducement to give it that care which will always command confidence and a ready market."[47]

Cooperation in wool marketing has developed along lines similar to those of the development of other cooperative marketing agencies. The same problems of the local buyer, of sale on commission and of grading have been attacked and similar results in financial receipts and in service have been achieved. Through cooperative organization the inexperienced producers, scattered over a wide area and far from a central market, have gained for themselves knowledge of that market and have increased their effectiveness accordingly. Cooperatively the producers have built up a new market for their product and have adapted the quality to the needs of that market.

[45]With the opening of branches by the Cooperative Wool Growers the governments of Manitoba and Saskatchewan have discontinued their work in connection with wool marketing. *Cooperative Organization Branch,* 1920, p. 33.

[46]*Canadian Cooperative Wool Growers, Ltd.,* 1920, p. 11.

[47]*Canadian Cooperative Wool Growers, Ltd.,* 1920, p. 4.

CHAPTER XI

Cooperative Purchasing

Thus far we have considered only problems of cooperative marketing. There remains cooperative purchasing. The latter is of much more recent date, has a less extensive development and is not established on so nearly permanent a basis.

As has already been described, there are two systems of organization in the cooperative purchasing field which will be considered in turn.

Since 1912 the Grain Growers' Company, now the United Grain Growers. Limited, has handled certain farm supplies. This branch of the enterprise began with the purchase of a timber limit in British Columbia upon which a lumber mill was to be erected. This plan was eventually carried out and operation has been started under the subsidiary company, United Grain Growers' Sawmills, Limited.[1] About the same time the company leased the Rapid City Flour Mills and manufactured flour for sale to farmers.[2] In conjunction with the Ontario Fruit Growers' Association, Eastern apples were sold.[3] Coal, wire fencing, builders' supplies, binder twine and later machinery were added to the commodities handled. The total sales of the department rose from $580,000 in 1914 to $6,908,896 in 1920.[4] Since that date and with the coming of the trade depression they have fallen markedly.[5]

The methods of the Department have passed through an interesting development. It was at first designed to act as a

[1] *G.G.G. Co.*, 1912, p. 9.
[2] Later an interest was purchased in the Echo Flour Mills.
[3] *G.G.G. Co.*, 1913, pp. 13-16.
[4] *G.G.G. Co.*, 1914, p. 14. *U.G.G., Ltd.*, 1920, p. 53.
[5] In 1922, $2,838,424, and in 1923, $2,249,597.—*U.G.G., Ltd.*, 1923.

purchasing agent for farmers. Goods were purchased on commission and in car-load lots. Stocks of goods were not carried and costs were kept at a minimum. Regular and satisfactory service of that type, however, depends upon two factors—the forethought of the purchaser in gauging correctly his demands and the ability of the manufacturer to guarantee delivery. Over neither of these factors did the company have control, and with rising markets and increased demands, contracts had to be made so far in advance of sales that the company was forced to relinquish the commission basis and carry stocks of goods. This was particularly necessary in the cases of binder twine and machinery.[6] That policy has gradually developed until at present the company carries a heavy inventory in its Supplies Department. At another point, modification has been made in the original plans. The necessity of being able to supply standard parts for agricultural machinery and to give expert service in setting up, led to the establishment of a retail agency system to handle these lines. Fifty-seven of these agencies carried stocks of machinery and repairs.[7] In 1922 heavy losses forced the company to relinquish the machinery business altogether. Flour and feed, wire, twine and coal are now the chief commodities handled. Local elevator agents handle purchases and assist in the distribution of other supplies, and in some cases carry stocks of flour, feed, coal, and twine. The business done is essentially a mail order business plus the service given by local agents. Local cooperative associations also purchase from the company as from an ordinary wholesale firm.

Along with the policy of carrying stocks of many lines of goods and of using its elevator staff for distribution goes the method of calculating purchases. The local employees of the company are "circularized" and asked to gauge the demand

[6]*G.G.G. Co.*, 1916, p. 14-15.
[7]*U.G.G.*, 1920, p. 55.

in their particular localities. Upon these estimates the purchases of the company are made and stocks are kept as low as possible.[8]

From the financial point of view this department of the United Grain Growers has frequently resulted in a loss, particularly on its machinery lines. From 1919 to 1922, losses of $59,000, $52,000, $282,000 and $219,000 resulted.[9] Following the discontinuance of the Machinery Department a slight profit was shown. The heavy loss of 1921 was due to reduced turnover and to the depreciation of inventories for which only inadequate reserves had been provided. The General Manager considered that the price policy of the company was at fault. "All stocks should have been marked up as the prices went up, irrespective of what the goods cost, and the profits taken and set aside to care for these losses when the prices came down. Unfortunately our company did not follow this practice."[10] In the earlier years, inexperience, frequent changes in the methods of handling and difficulty in making advantageous business connections have probably been the most important causes of failure to earn profits.

The business of this Department is confined to what may be termed Farm Supplies and Equipment, i.e. those articles which are necessary to farming and those which farmers, because of their distance from town, purchase in considerable quantities. The possibilities of saving in the purchase of these articles arise from the ability to purchase in large quantities, the possibility of reducing the number of steps from producer to consumer, and of making fuller use of a working force as in the case of elevator operators. To realize these economies, however, is not always easy. To purchase in large quantities,

[8]For these and many other details of operation, the writer is indebted to officials of the Cooperative Supplies Department of United Grain Growers, Limited.
[9]*U.G.G., Ltd.*, 1921, p. 63.
[10]Ibid., p. 64.

buyers must take the trouble to estimate their demands and must have sufficient funds to pay for large orders. To reduce the number of "middlemen" stages, service must usually be curtailed as well, and further, the hostility of both wholesalers and retailers incurred. Substantial saving is possible by distribution through elevators, though the system may fail to develop the local enterprise which the cooperative association may call forth. It is important to note that this type of organization is essentially based upon a theory of producers' cooperation. Though it is cooperation for purchasing, yet it is business purchasing, not private purchasing, which gives colour to the whole organization. It is agricultural cooperation rather than consumers' cooperation.

Reference has already been made to the different organization of the Saskatchewan Grain Growers' Association.[11] Its function is that of a central wholesale agency for the local cooperative associations which are affiliated with it. It not only deals in farm supplies and equipment, but has also engaged in a general business carrying "shelf goods", those bought usually in small quantities in country stores, chiefly groceries. The business carried on varies from the car-lot orders of local Grain Growers' Associations to the wholesale orders of the local cooperative store. Distribution is carried on through the local cooperatives and not through elevators.[12]

From a small beginning the Association's Trading Department has developed into a large concern. Starting with about $8,000, it has increased its capital to $138,000.[13] It was at first "a kind of purchasing agent for the Locals", but in meeting competition it has developed far beyond that.[14] Most of its

[11]See above, chap. ix.

[12]Its charter permits the Saskatchewan Cooperative Elevator Company to handle farm supplies, but because of a belief in the efficacy of the local association, the Saskatchewan Grain Growers' Association entered the field.

[13]S.G.G.A., 1920, p. 49.

[14]*Report of Conference of Managers of Cooperative Associations*, Regina, 1920, pp. 5-6.

business is still a commission business but some goods are carried in stock. At first it sold only for cash; now credit is extended to local associations.

The Association has not been without financial difficulties. From 1914-17 it showed a continuous profit, paying interest on its "debentures", paying patronage dividends to the amount of $17,000 (which were applied in payment of "debentures") and accumulating a surplus of $50,000.[15] In 1918, however, a loss of $7,500 was incurred, while in 1919 a total loss of $76,000 was shown, wiping out the surplus and impairing capital to the extent of $89,000.[16] In 1922 another heavy loss of $31,000 was made, making a total impairment of capital of $114,000. The Association has cut down its overhead expense and discontinued its Machinery Department, endeavouring to concentrate like the United Grain Growers on the profitable and staple lines.

A number of reasons for these results can be discerned. Generally speaking, the organization of the Department has lagged behind the development of its business. An annual turnover of more than a million dollars has been based on a capital which until 1919 did not exceed $75,000.[17] The United Grain Growers, Limited, only entered the field of purchasing after a successful grain business had been built up and reserves sufficient to stand the losses of the early years accumulated. It was impossible for a purchasing association to repeat the achievements of the grain companies in financing expansion out of earnings. Purchasing on commission runs counter to the general business organization of the wholesale and retail trade, while the selling of grain on commission is an integral part of the organized grain trade. When profits on the lines of goods handled were large, as in 1916 and 1917,

[15]*S.G.G.A.*, 1919, p. 44.

[16]*S.G.G.A.*, 1920, pp. 49-50. A small profit was earned in 1920. S.G.G.A., 1921, S.G.G.A., 1923.

[17]*S.G.G.A.*, 1919, p. 43.

some progress could be made, but the reserves acquired were not sufficient to offset the subsequent losses.

This was particularly important because of the fluctuating character of the trade carried on. The demand for farm supplies is a seasonal demand and the risks undertaken are great. Binder twine furnishes an extreme example. To ensure ample supplies contracts must be made almost a year in advance. Those contracts are usually based either on estimates or on definite orders from affiliated locals. In 1918 a short crop caused the cancellation of orders from numerous locals with the result that the Central Trading Department had to carry over into 1919 a large stock of twine on which two cents a pound was lost owing to a decline in price in addition to about two cents carrying charges, making a total amount of $45,000.[18]

Difficulty in obtaining wholesale grocery supplies led the association to undertake the distribution of these goods from Winnipeg. This business represented only about 20 per cent. of the total, but was not a success. Winnipeg as a distributing centre was giving way to Regina. The grocery trade was different from other lines and not particularly profitable and the Association had not the facilities for handling the business. Many of the local associations preferred to buy from the Regina wholesale houses. The Association, believing that it has accomplished the result desired of forcing wholesalers to sell to cooperative stores, is now endeavouring to "avoid as far as possible small sale lines."[19]

These difficulties illustrate another weakness. By the form of its organization the "Central" has little control over the locals. While another than purely business relationship exists between them, there cannot be the same supervision which the centralized company gives to its local business. This

[18]*S.G.G.A.*, 1920, p. 50, pp. 59-60.
[19]*Conference of Managers*, etc., cited above.

becomes important because the central body is allowed to extend credit to affiliated locals and there has been a marked tendency on the part of locals to stretch the credit of the "Central". Couple this with the very small capital at the disposal of the "Central" and a serious business condition is disclosed.[20]

The Saskatchewan system of purchasing is based upon the "incorporated local" which may do car-lot purchasing with possibly a warehouse or shed, or may operate a retail store.[21] These Associations date from the Cooperative Associations Act of 1913,[22] although purchasing was carried on by unincorporated groups before that date. There are at present 350 such associations in the province, which purchased in 1920 supplies to the value of $4,500,000.[23] The number of associations has increased rapidly from 102 in 1914 to 350 in 1920, but there has also been since 1916 a "mortality" of from 15 to 20 associations yearly,[24] some of these being absorbed by other organizations.

Taken as a whole the associations have succeeded. The following table shows significant increases since 1914:[25]

	1914	1920	1922
Number of Associations ...	102	337	321
Shareholders	2850	18894	16849
Capital	$ 13,500	$466,009	$504,570
Supplies sold	$239,000	$5,885,385	$3,332,517
Net profit (1915)	19,102	$191,819	$110,997

Especially among those associations which do merely group-purchasing there has been considerable success and saving. One association reports a saving of $182 on a carload of flour and feed,[26] others a saving of $1.85 a ton on coal,[27] and so on.

[20] Ibid., p. 10.
[21] The same association may also engage in the marketing business.
[22] *Statutes of Saskatchewan*, 1913.
[23] *Cooperative Organization Branch*, 1920, p. 28.
[24] Ibid., 1919-1920.
[25] Ibid., 1923, p. 28.
[26] *G.G.G.*, June 29, 1913, p. 12.
[27] *Agricultural Gazette*, 1918, p. 48.

Examples could be multiplied, [28] and while methods of calculating savings may be criticized and while differences in quality probably exist, there is no reason to doubt the substantial savings made. A large part is to be accounted for by the extra forethought of the purchaser, the payment of cash and the elimination of unnecessary service. Certain enterprising retailers have been quick to see the possibilities of this and have acted as agents for these purchasing associations.[29]

The progress of retail stores has been less marked. No comprehensive records exist for these organizations,[30] and generalizations are difficult to make. In some cases notable successes have been achieved,[31] and in many others failure has resulted. The Central officials advise extreme caution in embarking on a retail store project.[32] Besides the common difficulties of lack of interest on the part of members, difficulties of efficient management and strong competition, the chief obstacle has been the credit system. Where trade is so seasonal as in Western Canada credit is usually extended till the grain is sold. Not only does the retailer extend credit to the customer, but he himself depends upon the credit of the wholesaler. An investigation by the Canadian Bank of Commerce showed that out of 890 merchants, only 155 did a cash business, while of the remainder only 32 gave any discount for cash.[33] It is difficult for either farmers or merchants to change this system suddenly and although it is illegal for cooperative associations to sell on credit, as a matter of fact there is scarcely one in Saskatchewan which does not do so, and there are some which have carried debts for two years.[34]

[28] See annual cooperative and business numbers of *G.G.G.*, 1910-20.

[29] Discussion re Cooperative Trading at Saskatchewan Grain Growers' Association, *G.G.G.*, Feb. 17, 1915.

[30] The writer has interviewed a number of managers personally.

[31] E.g., Lloydminster, Sask.

[32] *G.G.G.*, May 13, 1917.

[33] *G.G.G.*, March 7, 1917.

[34] *Report of Conference*, etc., p. 10.

The whole cooperative purchasing movement has been bitterly opposed by retail and wholesale merchants. The most cogent argument used by the merchant is that in handling only staple lines the associations leave to the retailer only the unprofitable commodities demanding a large amount of service. The Retail Merchants' Association instituted a boycott of wholesalers selling to cooperative associations which did not incur all the costs of a retail store.[35] Sale to these associations is looked upon as encroachment by wholesalers on the retail field.[36] Manufacturers have refused to sell to the central companies and even the anti-dumping clauses of the Canadian tariff have been invoked against cooperative purchasing.[37]

Positive conclusions in regard to the experiments in cooperative purchasing are difficult to state. There is no indication that a permanent solution of the purchasing problem has been reached. Sufficient progress has been made so that cooperative associations can engage in purchasing upon reasonable terms, and so that experiments of some value can be made.

Experience thus far indicates that the purchasing problem must be divided according to the character of the demand for the particular commodities. Where retail service is demanded, or where technical service is required, market organization must adapt itself to the consumer's needs. The failure of the attempt to handle machinery on a commission basis and the adoption by the United Grain Growers of a system of retail agencies like those of the large machinery companies was an example of such adaptation. Similar changes have been foreshadowed in the handling of lumber.[38] In other words, earlier

[35]"We have asked every wholesaler in the Dominion by letter what he thinks of cooperative societies, and if he sells to them we will cease doing business with him." E. M. Trowern, Secretary of Retail Merchants' Association. *G.G.G.*, July 23, 1913.

[36]H. H. Piggott in *G.G.G.*, May 23, 1917.

[37]*G.G.G. Co.*, 1916, p. 15, pp. 64-8. *G.G.G.*, June 28, 1916.

[38]"Your directors are of the opinion that the establishment of a line of retail yards to act as distributors for the lumber manu-

steps toward "eliminating the middleman" have been retraced because of the necessity of giving technical service to individual consumers.

It has similarly become clear that groceries of the so-called "shelf goods" class must be handled through retail stores, because the majority of farmers demand retail service, and with the extended use of telephone and automobile the amount of service demanded also increases. Cooperative organization will find it difficult to stem the tide of marketing habits. Experience with the cooperative retail store in Western Canada illustrates all the deficiencies which have been exhibited in other regions.[39] It has achieved considerable success in some localities in diminishing unreasonable margins of profit, and much more important results in raising standards of retail service. Through the efforts of the companies, it is now possible to operate cooperative retail stores without fear of being boycotted by wholesalers. Actually and potentially cooperation exercises an important "police" function in regard to retail prices and services. There is, however, no indication that the cooperative retail store has profoundly modified the existing system of distribution. It is simply an alternative purchasing agency over which the consumer has control and as such is valuable. It only effects a saving as compared with the inefficient or too grasping retailer, and only when there is sufficient interest upon the part of the members to ensure careful management.[40]

Group-purchasing, unfair as it appears to the retailer, is likely to be more permanent and far-reaching, particularly in regard to the equipment and supplies of the farmer's business.

factured at the sawmill is the only method of marketing lumber which will be permanently satisfactory." *U.G.G., Ltd.*, 1921, p. 18.

[39]Weld: *Marketing of Farm Products*, pp. 442-3.

Bexel, Macpherson and Kerr: *A Survey of Typical Cooperative Stores in the United States.* U.S. Department of Agriculture, Bulletin 394, 1916.

[40]Cooperative stores may in the future be successfully undertaken not by farmers but by farmers' wives.

If the farmer is to compete with other business enterprises, he cannot continue to obtain his equipment by retail distribution unless he requires retail service. "The farmer, who is as much a manufacturer as a shipbuilder or factory proprietor, is as much entitled to trade terms when he buys the raw material for his industry," writes an eminent cooperator.[41] Cooperation is the method by which the many small producers can put their orders in wholesale amounts and forms. The most successful form of cooperative purchasing up to the present has been group-purchasing through the facilities provided by the United Grain Growers Limited, and by the Saskatchewan Grain Growers' Association.

In conclusion, it may be said that in regard to farmers' equipment, such as binder twine, supplied through the United Grain Growers, and the Saskatchewan Grain Growers' Association, and stockmen's supplies handled by the Canadian Cooperative Wool Growers, Limited, cooperative purchasing is likely to increase. The same is probably true of flour and feed, supplies for special branches of agriculture and seed. Particularly is this true in cases where the supplies have a definite relation to the quality or care of the product handled by a marketing organization, as in the case of paper twine for tying fleeces. In the cases of machinery and lumber the apparently expensive system of retail agencies which is part of the normal marketing organization appears to be justified by experience, and the farmers' companies concede that they must duplicate that organization or withdraw from the field. It would seem doubtful if the experiments in retail stores have a permanent place in Western Canada, where problems of production and sale have such overwhelming importance. It is believed, however, that in a period when population was growing, and distributing centres shifting, when the distributing trade was imperfectly organized, and in some cases manned by persons of little experience

[41] George W. Russell (A. E.) in *G.G.G.*, May 31, 1916.

in or aptitude for retailing, and when problems of credit, transportation, and service were different, the cooperative store has made important contributions to retail service and the regulation of retail prices.

The cooperative purchasing which will be permanent in Western Canada may be of varied organization but it will be in the field of producers' purchasing.

CHAPTER XII

Conclusion: The Theory of Agricultural Cooperation

The foregoing survey of cooperative marketing and purchasing in Western Canada should make it clear that any distinctive features which have emerged in cooperation in that region have been the result of peculiar problems in the developing agriculture of that region. Problems were taken up as they arose and attention was concentrated on the solution rather than on the means of solution. Step by step the grain companies advanced from one stage of marketing to another, keeping within the organized grain trade, utilizing the experience of other companies and their forms of organization, and devoting the profits of one enterprise to the experimental work of another. Farmers who in 1900 knew little or nothing about the grain trade control in 1924 two of the largest exporting companies on the continent. It was only as success was achieved in the marketing of grain that attention was turned to the less pressing and obvious problems of livestock, dairy products and wool.

In the field of marketing, particularly of grain, notable successes have been achieved. Financially the United Grain Growers, Limited, and the Saskatchewan Cooperative Elevator Company are on a sound and permanent basis. Large expansions have been financed for the most part out of earnings. The companies occupy a powerful position in the grain trade of the continent. The "middleman" has become to a large extent the farmers' agent, because of the effective competition of the farmers' companies.

Success in the marketing of other products has been less outstanding chiefly because of the overshadowing of those

markets in importance by the grain market. In these cases, however, the farmer has succeeded in forcing his way into the central market, and it is this entry of the central market which distinguishes the cooperative enterprises of Western Canada. The questions to which experience up to the present has given no clear answers are those concerning the permanence of the methods of marketing other products than grain and concerning the next step in the cooperative marketing of grain. There is every indication that cooperative methods of marketing livestock, dairy products and wool will weather the difficult period of agricultural depression and will be rendered even more permanent thereby. The vexed question of Wheat Boards and Wheat Pools can only be discussed on the basis of conjecture as there is little experience upon which to base conclusions.[1]

There is less certainty of success in cooperative purchasing. Cooperative enterprise has achieved an entrance into the field, acquired a good deal of experience and has exercised a "police" function in regard to prices. It is still, however, at variance with the normal organization of distribution and has made little impression upon it. When cooperative purchasing is carried on by a company drawing reserves from other sources, it can be maintained in times of falling prices and disappearing margins. Experience has shown that in other cases this is difficult. The record of the Trading Department of the Saskatchewan Grain Growers' Association has suggested possibilities in distributive organization, but has accomplished little either in finance or organization which can be called permanent. Experience indicates, however, that the chances of success are greater when the articles dealt in are farm supplies such as farmers can conveniently order in bulk.

In the foregoing study certain distinguishing factors of success stand out. In the first place, because of many abuses, prolonged agitation, and the dominant importance of wheat in the agricultural economy of Western Canada, there has been

[1]See Appendix A.

a marked concentration of attention on wheat marketing problems. The marketing problem, the problem of getting Canadian wheat to the Liverpool market at the least cost and with the greatest advantage to the producer, attracted more attention than any other problem in Western Canada. Because almost the entire income of the farmer was represented by the grain checks received from the elevator, he was willing to apply himself to the task of increasing those receipts. In Western agriculture grain was preeminent. In the production of grain, marketing problems were the most obviously important. Rarely has the attention of any population been concentrated upon a single object as has been that of the farmers of the Canadian West upon the grain trade. Without the driving necessity, "cooperative spirit" could have availed little. The often repeated reason for failure of cooperative enterprise—"the lack of the cooperative spirit"—is frequently but another phrase for the lack of a pressing problem, upon which the attention of an economic community has been focussed.

In the second place, the entry of the first farmers' company into the grain commission market was fortunate. The choice was consciously and wisely made. The opportunity for profits was large, the amount of capital required was small and a position could be gained in the very centre of the grain trade. The experience of local farmers' elevators in the United States financed by independent commission firms amply bears out the wisdom of this unique Canadian enterprise. Not only was the beginning made in the commission market, but it was made at a central point in the organized trade. The cooperative company made use of all the facilities provided by the Winnipeg Grain Exchange. To have attempted to establish a Farmers' Exchange would have been to hamper development and accomplish less.[2] It seems probable that financial results would have been very different had early attempts to run counter to

[2]Cf. the experience of the Society of Equity in Minnesota. Weld, *Marketing of Farm Products*, p. 422.

existing organization succeeded. It was also this adoption of the facilities of the grain trade for the benefit of the producer which resulted in the centralized form of organization with its consequent strength and stability. That form of organization is simply the form of the most successful concerns in the grain trade, the "line elevator companies" with their commission departments and terminal elevator and export company affiliations, reproduced under cooperative control.

Not only was the choice of a point of entry to the grain trade wise, but the time of entry was fortunate. From 1906 to 1919, with the exception of the early years of the war, grain prices were rising,[3] the volume of the trade was expanding and the commission rate of the Exchange has remained constant. This period of expansion in the grain trade gave to cooperative enterprise a better chance of survival. It is significant that the Alberta Company, which had some financial difficulties, started business in 1913, at the beginning of a depression. The extensive growth of the grain companies could not have taken place except in a period of rising grain prices and rapid expansion of the trade.

In the third place, importance should be given to the personal ability of many of the men interested in cooperative enterprises. The companies were initiated by farmers and managed by farmers. Great credit is due to the men who established the Grain Growers' Grain Company, not only for their persistence and devotion but for the wise decision to undertake a commission business.

Quite as important in cooperative ventures are the services of those who make initial successes permanent. The successful managing officials of both companies were farmers of some business training. Hon. T. A. Crerar, still President of the United Grain Growers, Limited, prior to his election to that office in 1907 in succession to Mr. E. A. Partridge, was a

[3]Fig. 4.

Manitoba farmer who had had some experience as a country grain buyer and elevator operator, and during the eighteen years of his presidency has proved his singular business capacity. He entered active politics in 1917 when he became Federal Minister of Agriculture. From this position he resigned in 1919 to assume the leadership of the Progressive Party. He has since withdrawn from party leadership to give more time to the affairs of his company.

Hon. C. A. Dunning, the first General Manager of the Saskatchewan Cooperative Elevator Company, was a Saskatchewan "homesteader" of English birth who had proved his ability as a member of the Executive of the Saskatchewan Grain Growers' Association. Having securely established the company, he left in 1916 to become Provincial Treasurer and later Premier of Saskatchewan.

Both companies have now been in existence long enough to enable them to draw their executive officers from the ranks of those who have acquired their training within the company. Experience has made plain the disadvantage of depending on officials trained by other commercial organizations. To quote one instance, in 1911 the Grain Growers' Grain Company met a severe test when its manager (not a farmer) attempted without consulting the Directors to raise prices in the oats market by buying May oats. As a farmers' cooperative company of necessity plays a lone hand on the Grain Exchange and as its position was weak, extensive selling on the part of the "bears" developed. Only the good export and credit connections of the company enabled them to meet with cash the deliveries of two and a quarter million bushels made to them in May. The company had, however, learned to keep out of the speculative market except for hedging purposes and in 1915 both Mr. Crerar and Mr. Dunning advised the officials of the Alberta Farmers' Cooperative Elevator Company against employing a manager who was not a farmer and who had obtained his experience with a "line company." [4]

[4] *A.F.C.E. Co.*, 1915.

Equally important with the personnel and to a large extent responsible for it, was the strong farmers' movement which grew up before the companies were established. Though independent in organization, the companies have had behind them the powerful influence of societies which as early as 1906 were strong enough to have the Secretary of the largest of them named chairman of a Royal Commission on the Grain Trade.[5] Much of the success of commercial undertakings is due to the educational influence of these societies and the experience gained in them by men in whom power produced discretion and responsibility.

In conclusion, something must be said about the theory of agricultural cooperation. The very use of the term implies that cooperation has a distinct relation to agriculture which it has not to other industries. We have mentioned that differences between agriculture and other industries arise chiefly because of the relative smallness of the unit of production. That smallness of the unit of production leads in almost every case to retail or small scale buying and selling, and of necessity to the existence of a large number of middlemen who perform the necessary functions of assembly and distribution in the agricultural selling and purchasing markets. Because of the advantages of stabilizing his industry, the manufacturer has been led to push his control forward into the selling market and the further manufacture of his product, and backward into the buying market and the production of his own supplies and equipment.[6] He has done this by means of integration or through interlocking directorates. The motive has been the desirability of being able to stabilize his business and make its operation continuous through the control of the successive steps of the industry. The possibility of profitable integration depends largely upon the scale upon which the industry is organized. The larger the scale and the fewer the raw ma-

[5]See above, p. 27.

[6]Cf. Cherington, *The Elements of Marketing*, pp. 21-4.

terials in kind the greater the tendency toward integration. Thus the steel industry, producing in large units, and being chiefly dependent on iron and coal, has become the familiar example of an integrated industry. As the scale of production becomes smaller and the raw materials and products more numerous and more diverse, the possibility of integration decreases. Even though the manufacturer does not formally integrate his industry, his production is usually great enough to give him access to the central markets without the intervention of any but commission men or brokers.

The same tendency exists in agriculture. Since agriculture buys but few of its raw materials, selling problems are more pressing than purchasing. The diversity of products is in many cases a bar to profitable integration of the selling function, but the more effective obstacle is the isolation of the small agricultural producer whose product is not large enough to warrant a selling department or indeed any expenditure sufficient to enable him to reach a central market. He remains a remote and ineffective participant in markets. He is unable to assume profitably the "middleman" functions which the large scale manufacturer finds it profitable to assume. Only as the amount of goods to be bought or sold becomes sufficiently large to justify the ventures can any business enter upon even a slight degree of integration. Agricultural cooperation in selling (and to a minor extent in purchasing) is a means by which integration becomes possible and profitable.

In countries of crowded population and small agricultural holdings, the profit and the necessity of cooperation arises from the fact that while the unit of *production*, limited by the small area of land holdings, may be too small to be profitable as a family enterprise, yet the unit of *enterprise* may be enlarged by linking together certain selling and purchasing functions. A family may not be able to expend its labor and capital profitably on a few acres of land, but may do so if cooperative creameries, breeding societies, purchasing clubs,

and marketing associations, not only permit profitable employment for both labor and capital but ensure the maximum utilization of the land. This is the basis of much of the cooperative enterprise of Europe.[7]

In Western Canada, however, there has been ample opportunity for adding field to field and increasing the unit of production through horizontal combination in agriculture.[8] There the stimulating motive to cooperative selling has been the economic advantage of a close and direct relationship to markets.

Adam Smith long ago pointed out the dominant position of the market in modern industry. In the market are shown objectively the decisions of consumers and producers as to what they are willing to pay for and what they will produce under given conditions. Effective functioning of a market requires that the effective demand of the consumer exercise as direct and strong an influence as possible upon the productive enterprise of the producer, and that the decisions of the consumer as to quantity and quality of commodities shall be clearly shown and effective in influencing production. Now the extent to which that result is attained depends upon the efficiency of various agents in communicating his decision to the producer. The more indirect the relation of the producer to his market, the greater the number of intermediaries between him and his market, the greater the difficulty of making that relation economically effective.

Much controversy has been raised in current discussions of marketing and cooperation over the question of the middleman. Neither the trite assertion that efficiency demands the elimination of the middleman, nor the platitude that the mid-

[7]Cf. Faber, *Cooperation in Danish Agriculture*, London, 1918. Smith-Gordon and Staples, *Rural Reconstruction in Ireland*, New Haven, 1919.

[8]Cf. the repeated advice of non-agriculturists that the farmer should stick to his farming, since he has no time or capital to expend on other business.

dleman has a real function touch the heart of the problem.[9] There is a necessary function of relating a producer to his market, but its efficiency must be determined not solely by "the fairness of the charge made,"[10] but also by the clearness with which the producer can interpret market demands. Many steps in the marketing process (all honestly manned) may mean simply a confusion of the results of a central market. By thrusting forward through cooperation his business organization to the central market, the farmer is enabled to organize his productive enterprise according to market results which he is in a position to distinguish and interpret. The immediate cause of cooperative enterprise may be and usually is abuse of power by selling or purchasing firms, but the results go far beyond the mere regulation of a trade, important as that is, and the benefits are not to be judged merely on the basis of quantitative efficiency, of getting the largest turnover with the smallest cost, but upon the effect of cooperation in relating the producer to his market.

The point is clearly illustrated by the effect which cooperative organization has had upon commodities which can be graded only with difficulty. "The elimination of the middleman" in the selling of livestock, dairy products, and wool has brought about an improvement in the quality of the products.[11] This has been due to the fact that the producer or a cooperative agency of which he is a part has gained entrance to a central market, and has adapted his production organization and policy to the market prices, which have ceased to be the confused and confusing results of local and only partly effective competition, and have become a real index of consumers' demand both as to quantity and quality.[12] In the case of com-

[9]Cf. H. C. Taylor, *Agricultural Economics.* N. Y. 1920, c. xxvii.
[10]*Ibid.*, p. 360.
[11]See above, pp. 115, 119, 123.
[12]The greater sensitiveness and "representativeness" of wholesale as compared with country buyers' or retail prices simply shows that they indicate more accurately the interaction of supply and demand.

modities reducible to standard grades, an intricate and well articulated marketing system can convey to scattered producers substantially accurate market decisions as to the selling value of their products, i.e. prices in central markets and at country points may be very closely related. Any such marketing system, however, because of its elaborate organization, must be under control, if it is to serve the producer. Government regulation can do much, but the history of the growth of regulation of the grain trade in Canada has shown that only the availability of an alternative cooperative marketing agency will satisfy the farmer that control is effective. In conclusion then, agriculture like manufacturing must be governed by its market. The agricultural producer can only enter the central market by cooperation. Where, as in the grain trade, because of standard grading, the results of the central market are reflected with some accuracy through an elaborate trade organization in prices to individual producers at country points, cooperation provides an effective measure of producers' control over an elaborate marketing machine. The success of experiments in Western Canada is a result of the reality of the service they have rendered.

The commercialization of manufacturing, the effective relationship of manufacturing to the expanding market, and the consequent increase in the quantity and variety of products is usually termed the "Industrial Revolution." The complete commercialization of agriculture to which agricultural cooperation is a means, and often an indispensable means, constitutes an Agricultural Revolution of far-reaching significance.

APPENDIX A

Wheat Pools

The most important cooperative project before the Western farmers at present is that of a marketing pool for wheat. Few schemes have called forth so much discussion both for and against their adoption as has this. Few influence directly the livelihood of so large a number of people.

Proposals for the establishment of Wheat Pools stretch their roots back to the years when the wheat market was controlled. During the crop years 1917-18 and 1918-19 the representative of the British Government in Canada, the Wheat Export Company, was sole exporter of Canadian wheat. The grain markets in Canada were, however, under the control of the Board of Grain Supervisors appointed by the Dominion Government. Under this Board the Canadian crop was assembled and distributed in Canada and the surplus handed over to the Wheat Export Company for export. The price of wheat was fixed by agreement with the Federal Government.

For the crop year 1919-20 the form of control was changed. Wheat was purchased for France, Italy and Great Britain by the Royal Commission on Wheat Supplies. In the United States the Grain Corporation guaranteed a minimum price of $2.26 a bushel for wheat and was in readiness to purchase wheat should private interests refuse to take it at that price or more. In Canada the Canada Wheat Board was created under the chairmanship of James Stewart, formerly president of the Wheat Export Company. The Wheat Board was given power to sell the entire Canadian wheat crop, to control the sale of wheat in the home market and the export of wheat flour. The Wheat Board, making use of the existing organization of the grain trade, paid to producers an initial sum on the basis of

$2.15 per bushel, No. 1, Northern. At the close of the season's operations, amounts were paid on the producers' participation certificates calculated on the basis of 48 cents per bushel, No. 1, Northern.

In 1920 the Federal Government refused to reconstitute the Wheat Board and since that year the crop has not been controlled. In these later years, when the price of wheat fell below $1.00, farmers have recalled the prosperous days of the Wheat Board, and innumerable proposals have been put forward for its reconstitution, or for the substitution of some other form of control. The Canadian Council of Agriculture recommended a National Pool of which the machinery was to be created by the two cooperative grain companies. For two years controversy continued over the subject of Wheat Pools. In the fall of 1923, following an educational campaign in which Aaron Sapiro, well known cooperative organizer, was the chief speaker, there was organized in Alberta the Alberta Cooperative Wheat Producers, Limited, which has handled part of the 1923 crop.

It is not proposed here to set forth individual proposals in detail but rather to relate this most recent phase of the cooperaive movement to the earlier developments which have been described in the body of this monograph.

It may be noted that there are two main types of pools which have been proposed—(1) the rigid contract pool and (2) the voluntary pool. The contract pool, which has found much favour among the California fruit growers, is based on a contract into which each producer enters, binding him to sell his entire product through the pool for a definite period, say five years. In the case of the voluntary pool, the producer may deliver all or part or none of his crop to the pool according to his discretion.

From the point of view of operating efficiency, the contract pool has much to be said in its favour. The management have

a fairly definite quota upon which to work. The pool is assured of support from a certain portion of the producers and if the contract extends over several years the pool is assured of a fair trial. The success of a marketing pool, particularly for wheat, depends to a considerable extent on obtaining a large and fairly assured volume of product to handle. This the contract type is designed to achieve.

Contract pools, however, in Western Canada present grave difficulties. The contract to deliver all of his product to the cooperative agency is unknown to the Western farmer. Existing organizations have all been built up on a voluntary basis, because their immediate function was to regulate by providing effective competitive standards. Even where the pool system has been adopted, as in the case of the United Grain Growers' Cooperative Sales Department, it has been on an entirely voluntary basis and emphasis has been laid on the effect of the operations of the Cattle Pool on the market generally. As was discovered in the case of the Alberta Wheat Pool, only with difficulty will farmers be persuaded to sign contracts binding them for five years to a marketing system which may or may not succeed.

There are for this a number of weighty reasons. One of the least cogent perhaps is that the speculative farmer—the farmer who counts on getting two crops out of five—is still a factor and he is not likely to be attracted to a five year contract. Of much greater importance, however, is the fact that in signing a five year contract, the grain producer gives up alternatives which offer considerable inducements. The pool system has been most effective where little or no effective market organization has existed and when it was necessary to build up or extend a market. In the case of grain, a very elaborate and not grossly inefficient marketing system is in existence. Further cooperative endeavour may improve it but not beyond the limits of a few cents a bushel. Faced with the alternative of a market or no market, producers can be per-

suaded to sign long term contracts as a condition to obtaining the market. The alternative of a known market or a potentially somewhat better market, which is all that a wheat pool can offer, is not of a character likely to increase the popularity of a long term contract. Yet the unwillingness of the farmer to bind himself for a long period does not convict him of a lack of the "cooperative spirit."

The voluntary pool lacks the operating advantages of the contract pool, but it would find compensating gains in the greater good will of its patrons and the check which its voluntary character would bring to bear on its standards of efficiency. It could be organized without any break in the continuity of cooperative development and with the aid of the existing cooperative companies. Whether or not it would attract more patronage than have the companies would depend on the marketing advantages which it had to offer.

Unfortunately, controversies in regard to the effectiveness of the Pool method of marketing are apt to turn on the record of the Canadian Wheat Board—and yet the proceeds of the 1919-20 crop year cannot be imputed directly to the operation of the Wheat Board since world prices for grain were high and other countries shared in the prosperity of the Canadian grain grower. Weekly low prices for wheat were only below \$2.63 in Minneapolis during three weeks of the entire crop year and hence the American farmer got at least as much for his wheat as the Canadian farmer.

It is not enough to assume that because national marketing of wheat was carried on in a year in which wheat prices were eminently satisfactory to the farmer, the system of national marketing would always coincide with satisfactory prices. It is necessary to consider whether in any given period national marketing or marketing through the largest pool which can be organized can effect any better results than are now attained through private and cooperative agencies functioning under Federal regulation.

There are but two ways in which this can be done—by procuring for the producers a larger share of the final price paid for wheat and by raising that final price.

Can a pool handling a considerable proportion of the wheat crop reduce the costs of selling wheat and of transporting it to Europe, appropriate the profits of the grain trade and so raise the producers' proceeds? There are some interesting possibilities. In the first place it does not seem likely that, making use of existing equipment, the cost of storage, handling and transportation can be significantly reduced. While the grain business is profitable, particularly when there is a large volume of grain handled, profits in cents per bushel on the storage and physical handling of grain are very small or in some cases non-existent.[1] What profits have been reaped have been in buying and selling. If transportation charges are reduced it will be from causes external to the question of a wheat pool. Even the profits from buying and selling wheat would not seem to furnish any ample source of saving. Those profits result from three sources, the commission rate for selling wheat, viz., one cent per bushel, the margin gained by holding wheat for higher prices later in the season, and the margin between Winnipeg prices and those of Liverpool. Where the volume handled is large, the commission rate of one cent per bushel yields handsome profits which, however, are in part absorbed by losses on storage and elevation.[2] No doubt, some saving could be effected at this point by a pool handling a large proportion of the crop, but it would necessarily be but a fraction of a cent per bushel. The same is true of the possible saving in the export end of the grain business. Profits depend largely on volume and any savings would be fractional. There does exist some possibility of saving from what has been termed orderly marketing. This was pointed out by Messrs. Stewart and Riddell, formerly of

[1]See Chap. vii.
[2]See Chap. vii.

the Wheat Board, in reply to a questionnaire sent to them by the Government of Saskatchewan.[3] Over 80 per cent. of the crop is actually marketed during the four months from September to December. The physical handling of the crop in these months is primarily due to climatic conditions but some savings in storage and transportation could be effected were the bulk of the crop under unified control. Though without the authority of the Wheat Board, a pool might organize the movement of grain more effectively than at present. Further, while all the grain delivered to the elevators in these months is not actually sold then, yet an analysis of prices over a period of years shows that prices are normally lower in the Fall than in the Spring.

Adjusted Medians of percentages of monthly average prices to yearly average prices of No. 1 Northern Wheat, Winnipeg, 1901-17.

January	96.4	July	105.9
February	98.0	August	105.7
March	98.9	September	99.4
April	99.6	October	97.0
May	103.5	November	96.9
June	104.2	December	95.1

There is here evidently some possibility of gain through more orderly marketing, though it must be remembered that storage charges would eliminate a part of this and as these charges are a certain amount per bushel the possibility of gain would be larger in periods of high prices than of low. It should also be remembered that prices of No. 1 Northern wheat are usually quoted, whereas the bulk of the crop is below that grade. One can only conclude that though there is a possibility of improvement through a further extension of cooperative marketing, there cannot be any striking increase in the share given to the producer unless the ultimate price of wheat is raised.

Can this be done? The price of Canadian wheat is determined by the innumerable factors of demand and supply

[3] *Coop. News*, June, 1921.

operating in a world market. In world production Canada represents since 1915 about 10% but to world exports she contributed in 1922-23 41%. The latter figure is large enough to suggest that control might bring higher prices, but a small increase in the production of other countries would eliminate a considerable amount of the Canadian exports. Even taking account of the fact that Canadian wheat differs in quality and milling strength from other wheats, it seems unlikely that controlled marketing can materially raise world prices. It is not possible for Canadian wheat to dominate the world market as did Brazilian coffee under the Valorization scheme.

It has been repeatedly pointed out that the greatest gains have been effected by cooperation where markets had to be found or enlarged or products modified to suit existing markets. This has been the great accomplishment of the California experiments. In the case of wheat, cooperation has been a regulative factor, since the qualities and uses of wheat are well standardized. There are further savings to be effected by the extension of cooperative endeavour in the grain trade and by the increase of the volume handled by single agencies, but they are not enormous nor are they to be derived from the same sources as in the cases of those products like livestock, dairy products, wool and fruit, less standardized in quality and with markets capable of further development.

APPENDIX B.

COMPARATIVE STATISTICS

	Paid-up Capital (000 omitted)		Net Profit (000 omitted)		Percentage Net Profit to Capital Reserves		Dividends Paid Per cent.		Grain Handled Million Bushels		Elevators Operated		Ave. Handling per Elevator per Thousand Bushels		Percentage of Grain inspected handled by Farmers' Companies
	1	2	1	2	1	2	1	2	1	2	1	2	1	2	
1906	$ 5														
1907	12		$ 1		7		7	2							3
1908	20		30		150		40		5						5
1909	121		53		37		30		8						8
1910	293		96		30		15		16						14
1911	492		69		12		10		19						16
1912	586	$177	122	$ 52	18	30	10	6	28	3		46		47	17
1913	645	250	164	168	20	56	10	8	30	13	135	172			18
1914	771		151	285	16	57	10	8	30	19		192		101	20
1915	867	503	227	134	19	18	10	8	19	14		210		66	25
1916	1073	876	513	558	41	46	10	8	48	43		230		170	33
1917	1357	1060	608	351	31	21	10	8	28	35		258		125	35
1918	2160	1104	442	125	16	6	10	8	30	27	343	298	88	87	19
1919	2415	1122	149	194	4	9	6	8	22	22	341	308	65	68	24
1920	2609	1133	464	225	17	10	8	8	25	20	347	294	72	66	22
1921	2766	1408	234	279	8	11	6	8	36	28	347	320	137	82	24
1922	2811	1451	*118	463	*8	17	0	8	31	37	346	332	90	105	22
1923	2821	1720	532	442	13	10	8	8	33	43	357	350	92	116	26

* Loss.

1. Grain Growers' Grain Company and United Grain Growers, Limited.
2. Saskatchewan Cooperative Elevator Company, Limited.

APPENDIX C

CHRONOLOGICAL CHART

1870—North West Territories purchased from Hudson's Bay Co.
1874—General Inspection Act (including the West).
1876—First consignment of wheat to Eastern Canada.
1879—Macoun Report on North West Territories.
1881—First Winnipeg Grain Exchange.
1884—First export of Western Wheat to Europe.
1884—C.P.R. builds Terminal Elevator at Port Arthur.
1889—Amendments to Inspection Act (Standards Board).
1891—Winnipeg Grain and Produce Exchange incorporated.
1891—Amendments to Inspection Act (Commercial Grades).
1899—Revision of General Inspection Act.
1899—Appointment of Royal Commission on Grain Trade.
1900—Manitoba Grain Act.
1901—Territorial Grain Growers' Association organized.
1902—C.P.R. Car Allotment Case.
1903—Manitoba Grain Growers' Association organized.
1903—Manitoba Grain Act amended.
1903—North West Grain Dealers' Association incorporated.
1903—Winnipeg Grain Produce Exchange Clearing House Association.
1905—Territories become Provinces of Alberta and Saskatchewan.
1906—Territorial becomes Saskatchewan Grain Growers' Association.
1906—Grain Growers' Grain Company incorporated.
1906—Royal Commission on the Grain Trade.
1906—"Comaine" Case.
1907—Interprovincial Council of Grain Growers' and Farmers' Associations.
1908—Grain Growers' Guide started.
1908—Amendments to Manitoba Grain Act.
1909—United Farmers of Alberta organized.
1910—Canadian Council of Agriculture formed.
1910—Manitoba Government Elevators start operations.
1910—Export Department of Grain Growers' Grain Company.
1911—Saskatchewan Cooperative Elevator Company.

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Appendix C

1912—Manitoba Elevators leased to Grain Growers' Grain Company.

1912—Cooperative Supplies and Machinery Department of Grain Growers' Grain Company opened.

1912—Canada Grain Act.

1913—Alberta Farmers' Cooperative Elevator Company incorporated.

1914—Trading begun by Saskatchewan Grain Growers' Association.

1914—Cooperative Association Act of Saskatchewan.

1916—Livestock Department of Grain Growers' Grain Co. opened.

1917—Formation of United Grain Growers, Ltd.

1917—Incorporation of United Grain Growers Securities, Ltd.

1917—Incorporation of Saskatchewan Cooperative Creameries, Ltd.

1918—Incorporation of Northern and Southern Saskatchewan Cooperative Stockyards.

1918—Incorporation of Canadian Cooperative Wool Growers, Ltd.

1919—Formation of Canada Wheat Board.

1920—Incorporation of Saskatchewan Cooperative Export Company.

1920—Wheat Board ceased operations.

1921—U. G. G. Export Cattle Pool.

1923—Removal of Cattle Embargo.

1923—U. G. G. Cooperative Sales Department (Cattle Pool).

1923—Incorporation of Saskatchewan Cooperative Terminals, Ltd., James Stewart & Co., Ltd., and James Stewart Grain Corporation, Inc.

1923—Incorporation of Alberta Wheat Producers, Ltd.

APPENDIX D

BIBLIOGRAPHY

The following bibliography is substantially complete in regard to materials dealing with the subjects immediately treated in this study. Selected references on other topics, which have been used, are included but no attempt is made to give a full bibliography of agricultural cooperation or of the Canadian Grain Trade.

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   37 Vic. 1874, cap. 45.
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   52 Vic. 1889, cap. 16.
   54-5 Vic. 1891, cap. 48.
   62-3 Vic., 1899, cap. 25.
   63-4 Vic. 1900, cap. 39.
   3 Ed. VII 1903, cap. 33.
   7-8 Ed. VII 1908, cap. 45.
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